Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.700	Iran	[illegible]	Philippines	Pso45
Belgium	BFr55	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Esc165
Denmark	DKr12.00	Jordan	JD1	Qatar	QR8.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	Fmk9.00	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.00	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira10	Tunisia	[illegible]
Iceland	IKr160	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

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D 8523A

SOUTH AFRICA

Violence fails to dim business cheer

Page 3

World News

Yugoslav President proposes vote on federation

President Borisav Jovic of Yugoslavia entered the political fray over a new federal constitution to determine the future structure of the country with a proposal that a national referendum be held on whether it should be a federation or confederation. Page 4

Aquino calls truce

President Corazon Aquino of the Philippines ordered a truce with communist rebels in Manila and areas devastated by an earthquake on July 16, despite doubts by the military that the move will bring peace.

Township death toll

Forty-nine blacks and a white policeman were killed in some of the most vicious faction fighting since violence in the townships around Johannesburg erupted a month ago.

Israelis to Moscow

A team of senior Israeli diplomats flew to Moscow to prepare a meeting between David Levy, the Israeli Foreign Minister, and Eduard Shevardnadze, the Soviet Foreign Minister, at the United Nations later this month. Page 2

Kim's secret visit

North Korean leader Kim Il-sung is visiting China secretly for talks with Communist leader Jiang Zemin, South Korea's news agency said.

Soviets confused

The parliamentary debate on Soviet economic reforms moved into closed session, leaving deputies angry and foreign businessmen bewildered over the confusing turn of events. Page 6

Chinese executions

China has executed more than 500 people this year in its biggest crackdown on crime since 1983, Amnesty International said.

New Benazir charge

The Pakistan Government intensified its campaign against Benazir Bhutto, the former Prime Minister, with an accusation that she was involved in a widely publicised scandal involving alleged corruption. Page 3

Dissident freed

China freed student leader Yang Tao, who was prominent in the uprising crushed by tanks and troops in June last year, after 13 months at a maximum security prison.

Albanians kill child

A four-year-old girl was killed when Albanian border guards opened fire on a group of 19 people fleeing into Yugoslavia, the Yugoslav news agency reported.

No Hong Kong deal

Britain and China failed to agree on the siting of Chinese army and navy establishments in Hong Kong after the colony returns to Peking's sovereignty in 1997. Page 3

Drug suspects to US

Colombia extradited two suspected drug traffickers to the United States, the first since President Cesar Gaviria took office a month ago.

Brazilian strikes

Brazil faced a new wave of strikes as 700,000 bank and oil workers threatened an indefinite walkout from midnight to press claims for pay rises ranging up to 1,069 per cent.

Mine blast kills 19

An explosion at Anglo American's Vaal Reefs gold mine in South Africa killed 19 miners and injured 22. Page 3

US execution row

Illinois stirred a statewide controversy with the execution of a convicted murderer by lethal injection, the first time the state has used the death penalty since 1962. Page 4

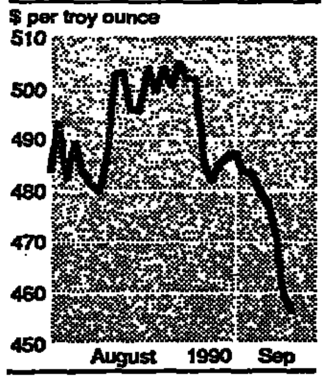
Business Summary

Aon Corp bids for Corroon despite deal with Willis

Aon Corp of US is bidding for Corroon and Black Corp for $40 a share in cash, or a total of about $840m, even though Corroon had agreed to be acquired by Willis Faber. Page 17; Lex, Page 16

PLATINUM continued this week's sharp retreat on the London bullion market, losing a further $2.75 to $456.50 a troy ounce in quiet trading. Commodities, Page 27

Platinum



BERTELSMANN AG, West Germany's media and publishing group, plans to invest hundreds of millions of D-Marks in East Germany in the next three years. Page 17

INTERNATIONAL Monetary Fund suggested reform of the international monetary system while its annual report says progress has been good in implementing the Brady initiative. Page 16

AMERICAN AIRLINES chief, Bob Crandell, issued a stinging warning about prospects for the US airline industry for the 12 months ahead. Page 17

ADELAIDE Steamship Company and David Jones, companies at heart of corporate structure run by the Sydney-based entrepreneur John Spalvins reported net earnings increases for the year to June. Page 19

BRITISH and French farmers buried the hatchet and agreed to present a joint demand to the European Commission for emergency aid for livestock farmers. Page 27

JAGUAR cars have been launched in Korea. Page 8

ECOLAB, US cleaning and maintenance group, is to pool its European interests with those of Henkel in a deal giving the West German company a 19 per cent stake and boardroom representation. Page 20

SOCIETE Française des Petroles (BP France) said its consolidated net profit after payments to minority interests for the first half of 1990 fell to FFr186m ($35m) from FFr725m a year earlier. Page 18

FAI Insurances, Australian insurance and investment group, has suffered a big underwriting loss in the year to June with net profits down 70 per cent to A$18.24m ($15m) from A$60m. Page 19

FRENCH government spending next year will rise by 4.8 per cent in a budget Page 6

RENAULT, French state-owned car maker, is stepping up its campaign to buy a stake in Skoda of Czechoslovakia, in a battle against the Volkswagen group of West Germany. Page 18

INDIA's Reserve Bank suggests an increase in direct foreign investment to reduce pressure on the balance of payments in its annual report. Page 3

AEROLINEAS Argentinas, national airline, move towards a transfer to its future owners, Cielos del Sur has gained momentum. Page 20

JAMAICAN dollar will be floated from Monday when the government will cease setting the exchange rate. Page 4

Hans-Dietrich Genscher, West German Foreign Minister (right) signs the German unification treaty in Moscow with, from left, US Secretary of State James Baker, UK Foreign Secretary Douglas Hurd, Soviet and French foreign ministers Eduard Shevardnadze and Roland Dumas and East German Prime Minister Lothar de Maizière

Fight against US troops is holy war, claims Khamenei

By Our Foreign Staff

AYATOLLAH Ali Khamenei, Iran's spiritual leader, yesterday condemned the US military build-up in the Gulf and said fighting against US policy in the region was tantamount to a jihad or holy war.

His speech, broadcast on Tehran Radio, was the first open challenge to the US by a senior Iranian official since the start of the Gulf crisis. It quickly revived fears in the west of an Iraqi-Iranian alliance and unsettled European financial markets.

His statement, however, stopped short of calling for immediate action against the US, nor are his views endorsed by President Hashemi Rafsanjani or other more cautious members of the Iranian Government.

"Anyone who fights America's aggression, its greediness and its plans to encroach on the Persian Gulf region has engaged in jihad in the cause of Allah and anyone who is killed on that path is a martyr," Ayatollah Khamenei said.

"We will not allow the Americans to gain a foothold in an area where we are present and turn it into their sphere of influence."

His speech came amid signs that the US and its allies are preparing to increase the momentum of the military build-up to confront President Saddam Hussein of Iraq following his invasion of Kuwait last month.

On Monday Mr Sadeq Khalkhali, the Iranian member of parliament and former judge, called for an alliance between Iran and Iraq to oppose Israel and the US.

President Rafsanjani, Iran's executive leader, has taken a more subtle view of the US forces, accepting the need to drive Iraq out of Kuwait. But he and his colleagues are concerned about US plans to prolong its stay in the Gulf.

Ayatollah Khamenei's speech coincided with a meeting in Tehran between Mr Ali Akbar Velayati, the Iranian Foreign Minister, and Mr Claudio Lenoci, a European Community envoy charged with improving Iranian-EC relations.

Western nations, even if they discount an alliance between Iran and Iraq in the aftermath of the 1980-88 Gulf war, are concerned about the possibility of sanctions-busting to bypass the United Nations embargo against Baghdad.

Yesterday the Tehran Times, which is close to Mr Rafsanjani, said Iran was considering supplying food and medicine to Iraq and offering Baghdad an unspecified "outlet" in return.

In New York, the UN Sanctions Committee failed to resolve differences on how and when to allow food supplies to enter Iraq and occupied Kuwait. The question was referred to the full Security Council for consideration.

Mrs Marjatta Rasi of Finland, the committee chairman, reported the 15-nation panel's inability to reach a consensus after several days of intense private discussions.

These followed a proposal by India to send a relief ship to Kuwait with food for an estimated 100,000 Indian workers and their families stranded there.

Pakistan says it is sending food and drugs to Kuwait as diplomatic baggage for some 30,000 Pakistanis still stranded there.

The US military build-up in Saudi Arabia is expected to be boosted in the next few days with a "significant" increase in allied military assistance, according to Mr Richard Cheney, US Defence Secretary.

Mr Cheney told Congress on Tuesday that the contribution would substantially increase the military capability of allied forces in the Gulf.

The US build-up has reached more than 100,000 troops but military planners remain concerned about the lack of heavy mechanised forces to protect US troops inside Saudi Arabia as well as the failure of Nato allies to send ground forces.

British Cabinet ministers will meet tomorrow to decide the composition of extra forces expected to be deployed in the Gulf.

A full meeting of the Overseas and Defence Committee is expected to endorse sending what Whitehall officials describe as a "substantial" contingent of ground troops, probably running into thousands of soldiers.

Crisis in the Gulf, Page 2

Bush, Congress close to accord on budget deficit

By Peter Riddell, US Editor, in Washington

EARLY agreement on a five-year package to reduce the soaring US budget deficit looks increasingly likely following signs of compromise between the Bush administration and congressional leaders.

Expectations rose after the gloom of the weekend as negotiators held a sixth day of talks yesterday at Andrews Air Force Base, south of Washington. The White House said there was "a more hopeful environment," while Mr Tom Foley, Democratic Speaker of the House of Representatives, said he was optimistic an agreement could be reached this week.

In his address to Congress late on Tuesday, President George Bush said he was pleased with recent progress. However, he warned that "with or without an agreement from the budget summit," he wanted both houses to allow "a straight up-or-down vote on a complete $500bn deficit reduction package [over five years] not later than September 28."

The likely budget compromise will involve about $130bn in higher taxes over five years, including a tax on energy consumption, a new tax on luxury goods and higher taxes on alcohol. Defence spending will be reduced by between $170bn and $200bn below currently planned levels and domestic expenditure will be cut by up to $126bn, with the better-off elderly having to pay more toward Medicare health programmes. Savings on debt interest would account for the rest of the $500bn.

A budget deal, if passed by Congress by the end of this month, will avoid the need for across-the-board spending cuts of nearly $106bn which would otherwise be imposed under the Gramm-Rudman deficit reduction law.

The main obstacles are the extent of cuts in domestic spending and the administration's renewed call for a cut in capital gains tax, which the Democrats want offset by higher income taxes at the top end of the scale.

Nevertheless, the likely package of around $50bn in the coming 1991 fiscal year will make only a small dent in the projected deficit of $230bn to $250bn and will involve dropping the $64bn deficit target for the year.

The estimated size of the deficit has risen sharply in the last few months because of the slowdown in the US economy, larger than expected costs of the savings and loan rescue and, most recently, because of the Gulf crisis.

The General Accounting Office, the investigatory arm of Congress, yesterday estimated a deficit of $237bn for fiscal 1991. It warned that it could go much higher if there is a recession. The Congressional Budget Office also revised its 1991 deficit estimate upwards by $30bn-$35bn, to $262bn-$267bn, as a result of the weakening of the economy.

Nevertheless, President Bush and Congressional leaders are expected to present any budget deal as a sign of their intention to tackle the deficit problem and to urge that the Federal Reserve should offset any fiscal contraction by an immediate lowering of interest rates.

Unification treaty marks formal end of a divided Europe

By Quentin Peel in Moscow

AN END to 45 years of a divided Europe was marked yesterday as the four former allies of the Second World War and the two halves of a disunited country gave their formal blessing to German unification.

"We have drawn a line under the Second World War, and started counting the new time of a new age," said Mr Eduard Shevardnadze, the Soviet Foreign Minister, after he signed the document with his counterparts from the US, Britain, France and East and West Germany.

The Treaty on the Final Settlement with Respect to Germany was signed, after negotiations continuing into the final hours, in the extraordinary but appropriate setting of the Oktyabrskaya Hotel in Moscow, a marble-and-gilt-lined luxury hotel once reserved for Communist dignitaries, now open to wealthy visitors from the west.

It was concluded after a bare seven months of negotiations, which have seen the Soviet Union concede the right for a united Germany to belong to the Nato alliance, and West Germany agree to pay a hefty DM12bn ($7bn) to meet the cost of repatriating Soviet troops from East Germany.

At the same time the Germanys have declared that their present borders are final – leaving no outstanding claim on former German land in Poland – that "only peace will emanate from German soil," and that the future nation will renounce the possession or use of nuclear, biological and chemical weapons.

In further concessions to reassure Soviet anxiety at reunification, the Germanys have agreed to cut their troops to 370,000 within three to four years, slightly less than the timetable for Soviet troop withdrawal from East Germany, by the end of 1994.

The western allies have also agreed that what was East German territory will not be used for the stationing or deployment of non-German Nato forces, nor nuclear-capable missile launchers, even after the departure of Soviet troops.

Apart from those, however, virtually all the main concessions have been on the Soviet side, in spite of deep popular

Continued on Page 16
Treaty details, Page 6

UK examines anti-competitive practices in photocopier sales

By Michael Skapinker in London

BRITAIN'S Monopolies and Mergers Commission is to investigate the photocopier industry for the second time.

Sir Gordon Borrie, Director General of Fair Trading, has asked for a report within 12 months from the Commission, which is charged with overseeing competition issues in British business, including those arising from takeover bids.

The Commission last investigated the photocopier market in 1976, when Rank Xerox, jointly owned by Xerox Corporation of the US and Rank Organisation of the UK, was the dominant supplier to the UK market.

Since then, Rank Xerox has lost its dominant UK position to Canon of Japan. Of the five leading suppliers of photocopiers last year, three are Japanese.

The new enquiry will investigate the possible existence of a "complex monopoly" in which manufacturers and importers would tie the sale of toner, the "ink" used in the copying process, to the supply of machines.

Total machines placed in UK

1989		Mkt share (%)
Canon	40,000	26
Rank Xerox	26,000	17
Sharp	15,000	10
Minolta	11,000	7
Gestetner	9,000	6

Source: Dataquest

The Commission will also examine the refusal by some manufacturers to supply spare parts and manuals to third parties who maintain their machines.

Following the last Commission report, Rank Xerox gave a series of undertakings. It was released from most of these in 1983 because of changes in the market, notably the growing presence of imported Japanese machines.

Rank Xerox was told, however, that it still had to give all customers the option of purchasing toner from other suppliers.

The Office of Fair Trading, a government watchdog, said yesterday that "while Rank Xerox continues to be bound by this requirement, other manufacturers and suppliers are not, and a number of them, accounting for a significant proportion of UK supplies, appear to tie the supply of toner to the supply of machines.

"This may restrict the ability of independent manufacturers and suppliers of toners to compete and raises the possibility that a complex monopoly may exist," the OFT said.

The OFT said it understood that at least one supplier was unwilling to allow other companies access to spare parts and manuals so that they could maintain its machines.

Mr Roger Riseley, of consultants Dataquest, estimated that 165,000 photocopiers were sold or rented in the UK in 1989, generating revenues of £491m ($900m). There were a large number of third party vendors making parts and toner cartridges for other makers' machines.

CONTENTS

Dukakis closes the door on economic miracle gone sour

The 'Massachusetts miracle' was once the toast of a nation. But now the miracle has soured, along with the fortunes of Governor Michael Dukakis (left) Page 15

MARKETS

STERLING
New York lunchtime:
$1.866
London:
$1.8645 (1.85)
DM2.96 (2.9425)
FFr9.915 (9.855)
SFr2.465 (2.4575)
Y256.75 (258.75)
£ Index 93.7 (93.2)

GOLD
New York: Comex Dec
$388.1 (380.5)
London:
$381.5 (381.0)

N SEA OIL (Argus)
Brent 15-day Oct
$30.55 (31.15)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.58665
FFr5.3145
SFr1.3235
Y137.68
London:
DM1.5875 (1.5905)
FFr5.3175 (5.3275)
SFr1.3225 (1.329)
Y137.65 (139.8)
$ Index 63.2 (63.7)
Tokyo close: Y138.3

US lunchtime rates
Fed Funds 8%
3-mo Treasury Bills:
yield: 7.6%
Long Bond:
$97\frac{29}{32}$
yield: 8.95%

STOCK INDICES
FT-SE 100:
2,142.3 (−2.0)
FT Ordinary:
1,643.3 (−7.7)
FT-A All-Share:
1,039.26 (0%)
New York lunchtime:
DJ Ind. Av.
2,606.94 (−6.68)
S&P Comp
320.32 (−0.72)
Tokyo: Nikkei
25,216.14 (+611.48)

LONDON MONEY
3-month Interbank:
closing $14\frac{29}{32}$ ($14\frac{15}{16}$)
Liffe long gilt future:
$83\frac{1}{16}$ ($82\frac{25}{32}$)

CRISIS IN THE GULF

British consensus set to survive military build-up

By Ralph Atkins

THE PLANNED escalation of Britain's military presence in the Gulf is unlikely to fracture a broad parliamentary consensus, in spite of a recognition of the risks involved.

The decision to send a substantial contingent of ground troops, possibly with tanks, will be backed by the main UK political parties, it became clear yesterday. Increasing Britain's commitment would be a logical extension of the government's policy as set out – and supported with few qualifications – in the House of Commons last week.

"We have taken a view that if the military feel that there is a need for an increased commitment we will support it," said Mr Martin O'Neill, Labour's defence spokesman.

"At the moment we are talking about a commitment to a part of the world where there are something like 40,000 British people living and working. . . We are a major player is this," he said.

Reflecting the mood on the Conservative backbenches, Sir Ian Gilmour, Tory MP for Chesham and Amersham, said: "Once you have decided to send troops, the sending of more of a different sort doesn't seem to be a qualitative difference."

Mr Paddy Ashdown, the Liberal Democrat leader, said the government was right to consider sending more troops if militarily or politically necessary.

Mrs Margaret Thatcher, however, knows there are limits to the mandate she won in the Commons last week for taking the steps necessary to force Iraq from Kuwait.

The near-universal support so far cannot be taken for granted. Labour has refused to give a blank cheque to the government. And Mr O'Neill emphasised that decisions on additional forces in the Gulf should be taken in accordance with UN resolutions.

A decision to send significant numbers of ground forces is much easier to sell to MPs and the public when the Britain's effort still centres around economic sanctions. At this stage the main political parties agree that the threat to use military force should be unequivocal.

But if the military strategy switched from the defence of Saudi Arabia to offensive action with the threat of casualties, the political arguments could change dramatically.

"Until then this is merely a further step in the same strategy which is the internationalisation [of the Gulf forces] and creation of a grand coalition," said Mr David Howell, Conservative chairman of the Commons' foreign affairs committee. "We must never give Saddam Hussein any doubt that the military option will be used if necessary."

Mr Nigel Forman, Conservative MP for Carshalton and Wallington, said: "We have to act firmly, and be seen to be acting firmly."

At Westminster, many believe that stepping up Britain's commitment would increase Britain's part in determining the next stages of the confrontation. Mrs Thatcher has already had warm support from President George Bush for her stand, the argument goes. Further British troops will increase her influence over US policy.

Bush hints at heavy human price

By Lionel Barber in Washington

IN HIS speech to Congress on Tuesday night, President George Bush came closer than ever before to conceding that the Gulf crisis may have to be resolved by military force.

Using tough language to demonstrate his resolve in removing Iraqi forces from Kuwait, Mr Bush hinted strongly that the eventual price could be heavy bloodshed as well as American casualties.

In words which might have been borrowed from Mrs Margaret Thatcher's speeches in the run-up to the Falklands conflict, Mr Bush declared: "If we do not continue to demonstrate our determination, it would be a signal to actual and potential aggressors around the world."

Moments later in the speech, Mr Bush went so far as to quote the British Prime Minister herself, making clear that his future course of action would not – and could not – be determined by concern over the fate of western hostages in Iraq.

Throughout, Mr Bush appeared determined to make clear to Mr Saddam Hussein, the Iraqi President – just as he did earlier in his presidency in dealing with General Manuel Noriega of Panama – that the US would neither be intimidated nor blackmailed and would stand up to aggression on behalf of the Kuwaiti royal family. "Let no one doubt our staying power," he said.

But the President was short on specifics on how and when he would achieve his goals in the Gulf. "I cannot predict just how long it will take to convince Iraq to withdraw from Kuwait," he admitted. At the same time, he conceded that sanctions would take time to work against Baghdad, and that Americans should steel themselves for a long-term US military presence in the Gulf.

Mr Bush drew applause when he made clear that the US enjoyed widespread international support for its stand against Iraq. Lawmakers seemed impressed, too, with the new-style US-Soviet co-operation which Mr Bush described as heralding a "new world order" of peace, justice and myriad other ideas which, presumably, Mr Bush thought might add up to "the vision thing".

Bush is congratulated after his address by the chairman of the joint chiefs of staff, Gen Colin Powell

The more striking sections of the speech came when Mr Bush drew an explicit link between America's ability to act as a Great Power overseas and her fiscal conduct at home. "We must get America's economic house in order, we must address our budget deficit," he said. This admission of domestic weakness – coupled with the call for a new drive to weaken US dependence on foreign oil – suggests that Mr Bush is well aware that the public mood could shift, particularly if America's allies fail to share some of the burden of Operation Desert Shield.

There is burning resentment in Congress at the moment about the slack response by West Germany and Japan on "burden-sharing".

This week, US senators expressed outrage over the disclosure that West Germany is paying more than $8bn (£4bn) to the Soviet Union to support Soviet troops remaining in east Germany as a means to solving one of the Soviet obstacles to German unification.

Overall, the speech suggested that Mr Bush – and his administration – are still groping their way forward on the Gulf crisis. The tactical crisis management appears first-rate, but the means to attaining the goal of removing Iraqi forces remains unclear.

What must be clear, however, is that the President appears, at this stage, to have no hesitation about the use of force – whatever the reservations among some of America's closest allies.

Saudi Arabia's Shias now face test of loyalty

Lara Marlowe reports from Qateef, a past bastion of opposition to the royal family

On the road to the Shia Moslem towns of Qateef and Saihat, a Saudi National Guard checkpoint stops every car and asks motorists for identity papers and the purpose of their visit. "They are looking for terrorists," the taxi driver says.

With Iraq menacing Saudi Arabia's northern border and up to 170,000 American servicemen transforming the desert into a vast bivouac, Saudi leaders must be asking themselves whether they can count on the loyalty of half a million Shia Moslems concentrated in the oil-rich eastern province.

Those concerns were redoubled yesterday when Ayatollah Ali Khamenei, the Shia Moslem Iranian spiritual leader, bitterly condemned the US military build-up in the Gulf and echoed the Iraqi line that fighting against the Americans was equivalent to a *jihad* or holy war.

Saudi Shias have little sympathy with President Saddam Hussein of Iraq – himself a Sunni who rules Iraq's Shia majority with a rod of iron – but many of them maintain close ties with friends and relatives in Iran and Lebanon and feel discriminated against by the Sunni rulers of Saudi Arabia.

The past decade has provided ample grounds for concern. Nine months after the Shah was toppled in Iran in 1979, riots broke out in Qateef when Saudi authorities attempted to stop a Shia religious procession. The National Guard, composed of fervently loyal Sunni tribesmen, sealed off the area and at least 17 people were killed.

The National Guard's highly visible presence in and around the crescent of Shia towns north of the oil centre of Dhahran did not prevent the recurrence of similar unrest in 1985 and the sabotage of a petrochemical plant at Jubail by Saudi Shias in April 1988.

Forty eastern province Shia Muslims suspected of belonging to the pro-Iranian Hizbollah of Hijaz were arrested following the Jubail explosion and four were beheaded in September 1988.

The clashes between Iranian pilgrims and Saudi security forces in Mecca in 1987 and bombs placed in Mecca by Kuwaiti Shias in July 1989 increased the Saudi government's mistrust of its Shia minority. Hizbollah of Hijaz held a press conference in West Beirut in September 1989, vowing to avenge the deaths of 15 Kuwaiti Shias beheaded for the Mecca bombings.

Less than two months later a retired Saudi diplomat was assassinated in West Beirut. At least six other Saudis have been murdered in Thailand and Europe.

Official repression has cowed the Saudi Shias in recent years, and in any case Western and Saudi officials alike are hoping that the new found common interest in opposing Iraq will diminish the hatred felt by some Shias towards the Saudi Royal family and the US.

This week Sheikh Hassan al-Saffar, a Syrian-based Shia opponent of the Saudi ruling family, was reported to have ordered his supporters to rally behind the Saudi government and join the army to fight against Iraq.

Hundreds of young Shia men have already responded to King Fahd's appeal for army volunteers, although Saudi leaders may be haunted by the fear that the new Shia recruits could turn their weapons and training against the government. The Saudi government does not publicly acknowledge any difference between Shias and the majority Sunnis.

"They are citizens like us. We don't even think about it." said Prince Fahd bin Salman bin Abdulaziz, the vice-governor of the Eastern province.

Conditions in the Shia areas of the eastern province have improved since Prince Mohammed, the second son of King Fahd, was appointed governor in 1985. The government has financed roads, a hospital, new schools and a new market in Qateef and Saihat. "Prince Mohammed is a former businessman," a Western diplomat said. "He sees that trouble is bad for business, that there are ways to bring Shias to your side without shooting them."

Qateef is still visibly less affluent than nearby predominantly Sunni areas, but is by no means poverty stricken.

'There are ways to bring Shias to your side without shooting them'

"If you compare us Shias in Saudi Arabia to Shias anywhere else in the world, we are better off," said Mr Abdul Hanid al-Mutawa, a wealthy Shia businessman who lives in Saihat.

"If Shias came now and told me they wanted a Shia government, I would not agree. They would be angry and destructive. That is the experience of all revolutions."

But some of Mr Al-Mutawa's Shia compatriots do not share his enthusiasm for the government, and there are continuing reports of the arrest of Shias. Amnesty International, the London-based human rights group, reported the arrest and detention without trial of hundreds of Shias from the eastern province throughout the 1980s.

At least 100 arrests were reported in 1989 and only a small number have been released, according to the organisation. Prince Fahd dismissed the Amnesty report as "fantasy". He said: "Ours is an open society. For instance the people who put bombs in Jubail – do you expect us to give them flowers and croissants every morning?"

In the long term, Saudi Shias will cease to pose a threat to the government only when they no longer regard themselves as second-class citizens. The rags to riches success stories of a handful of Shia businessmen owes more to hard work and the policy of non-discrimination practised by the former Arabian American Oil Company between 1935 and the mid-1980s than the munificence of the Saudi government.

Americans want Britain to send tanks

By David White, Defence Correspondent

SENIOR US defence officials have made it clear they would be disappointed if additional British deployments to the Gulf failed to include heavy armour.

Britain already has about 3,000 servicemen in the Gulf, with a further 2,000 either on their way or otherwise directly involved. Most are RAF and navy personnel, and they do not include army combat troops.

US officials have argued that there would be little point in Britain sending light troop formations at this stage of the confrontation – such as the Spearhead Battalion Group or elements of 5 Airborne Division, which are designed for rapid intervention.

The US is expected soon to pull out its 82nd Airborne Division, which headed the US deployment, since it is considered to have fulfilled its function of getting into place quickly and holding the ground for heavier forces to arrive.

The bulk of the planned US armoured force, with about 1,000 tanks, is expected to have arrived in Saudi Arabia by mid-October. But they face an estimated total of more than 2,000 Iraqi tanks in Kuwait and the immediate vicinity.

Sending armoured units would change both the scale and nature of the UK's commitment. It could involve several thousand men, including logistical support. Deployment of Challenger tanks from the British Army of the Rhine, using different ammunition and spares from the Americans, would require substantial back-up. Experts said it was likely that a tailor-made force would be assembled, possibly including US-design self-propelled howitzers which would be compatible with US equipment.

A major transport operation would be involved in getting even one tank regiment – which normally has 57 tanks - to Saudi Arabia. They would not arrive until early to mid-October at the soonest.

The forces Britain has sent up to now – including three squadrons of fighters and bombers in Saudi Arabia, Oman and Bahrain – were chosen for the speed with which they could be sent and the gaps they could fill in defence capabilities. They were also autonomous units which be withdrawn with relative ease once the immediate tension subsided.

British defence chiefs are working on a package that would probably include extra air and naval contributions as well as any ground forces.

Israel keen to mend fences in Moscow

By Hugh Carnegy in Jerusalem

A TEAM of senior Israeli diplomats yesterday flew to Moscow to prepare a meeting between Mr David Levy, the Israeli Foreign Minister, and Mr Eduard Shevardnadze, his Soviet counterpart, at the United Nations later this month.

This is highest level delegation invited by the Soviet government since relations were severed by Moscow during the 1967 Arab-Israeli war.

Mr Levy announced the trip at a news conference on his return from talks in Washington.

Israel has traditionally regarded the Soviet Union as hostile but yesterday Mr Levy said the Soviet Union would be a "welcome partner" in Middle East peace efforts if it stopped supplying arms to Arab states and urged them to make peace with Israel.

However, he reiterated Israel's rejection of any move to convene an international conference on the Middle East, the longstanding policy of Moscow and an idea which has gained some currency in the light of the crisis in the Gulf.

Mr Levy's remarks reflected a series of delicately balanced Israeli concerns arising from events in the Gulf. It is anxious to squash attempts by Saddam Hussein of Iraq to link any solution of Iraq's occupation of Kuwait to the resolution of other Middle East conflicts such as the Israeli-Palestinian issue. This approach, which has strong appeal to many Arabs and has found echoes in Moscow, inevitably points to some kind of multilateral conference to produce a comprehensive Middle East peace.

At the same time, Israel is keen to restore relations with Moscow (consular ties were resumed in 1987). As Mr Levy indicated, it sees the chance under Mr Gorbachev to woo the Soviet Union from its support for hostile Arab states such as Syria and Iraq. The government also needs to have contact at the highest level in Moscow to discus the question of Soviet Jews wanting to go to Israel.

Another development of vital interest to Israel is the rapprochement between Washington and Syria produced by their common hostility to President Saddam. Until the Gulf crisis erupted, Israel regarded Syria, which wants to regain the Golan Heights captured by Israeli forces in 1967, as its chief military threat.

NEWS IN BRIEF

Nato prepares for call-up of more civil aircraft and ships

NATO emergency planners have asked alliance governments to inform them of all civil aircraft and ships which could be used to transport military forces to, and refugees away from, the Gulf region, David Buchan reports from Brussels.

Activated at Washington's request for almost the first time in its decades-long existence, Nato's Senior Civil Preparedness Committee (SCEPC) will meet today for the second time this week to co-ordinate the growing calls on civil transport.

The US has already brought 39 wide-body Boeing 747s into its Civil Reserve Air Fleet to transport its troops to Saudi Arabia, but more aircraft are now needed, chiefly to evacuate refugees from Jordan, Mr Paul Krueger, the US representative on SCEPC said yesterday. Furthermore, the US was particularly short of roll-on, roll-off ships for moving tanks, he said.

Saudi-Iraqi verbal crossfire

Saudi Arabia clashed with Iraq at a United Nations conference yesterday after an Iraqi envoy accused Kuwait of conspiring to hurt Baghdad's economy, Reuter reports from Paris.

"Does he think he is addressing a bunch of simpletons?" the Saudi Ambassador to Paris Sheikh Jamil al-Hegelan asked. "Iraq has trampled Kuwait... It has squandered its wealth on war," he told a UN conference on the world's Least Developed Countries (LDCs). The envoy was called to order for taking the floor out of turn after Iraqi Ambassador Abdul Razzaat al-Hachimi tried to justify his country's annexation of Kuwait.

Russians urge breaking of ties

The Russian parliament yesterday urged the Kremlin to suspend the Soviet Union's 1972 friendship treaty with Iraq and withdraw immediately all military specialists still serving there, Tass news agency said, Reuter reports from Moscow.

A parliamentary committee said in a document to the Supreme Soviet that it should suspend the treaty because maintaining such contacts after Iraq's August 2 invasion of Kuwait was "unacceptable and amoral".

White House tape for Baghdad

President George Bush has taped a message to the Iraqi people, explaining in just under 10 minutes his motives and reasons for the US military build-up in the Gulf, an aide said, AP reports from Washington.

Mr Bush stood in front of his desk in the Oval Office for the taping, which was to be delivered to Iraqi officials for broadcast on Iraqi television, said Mr Sig Rogich, the President's media adviser. The text of his message was not disclosed.

Arafat meets King Hussein

The Palestine Liberation Organisation leader, Mr Yassir Arafat, on a previously unannounced trip to Jordan, met King Hussein yesterday, Reuter reports from Amman. The official news agency Petra said they discussed "efforts to achieve a settlement of the Gulf crisis within an Arab framework".

Jordan urges curbs on refugees

Jordan, expecting a new influx of Gulf crisis refugees, has urged Iraq to limit the flow across the border to 14,000 a day, officials said yesterday, Reuter reports from Amman.

"We have asked the Iraqis to allow across a maximum of 14,000 people a day, half of them Egyptians and half Asians," said a senior Jordanian official.

Bank of England announces curbs on insurance payments

By Richard Lapper

THE Bank of England has announced that it is to withdraw permission for payments to be made either to Kuwaiti or Iraqi insurers and reinsurers as well as assureds resident in these countries as of 13 September.

Such payments can now be made only with the permission of the Secretary of State for Trade and Industry.

Hitherto such payments could be made into frozen Iraqi and Kuwaiti accounts. But the British government has now decided that there should be greater control and scrutiny of payments due under such policies.

According to a statement from the Department of Trade and Industry, which issued details of the measures yesterday: "This is designed to tighten up sanctions and ensure that loopholes are blocked off."

Venezuela agonises over taking advantage

Joseph Mann reports from Caracas on the debate on future oil export policy

IRAQ'S annexation of Kuwait has underlined Venezuela's position as the only nation outside the Gulf capable of a significant and sustained increase in crude oil exports over the long term without incurring prohibitively high costs for developing new petroleum reserves.

This privileged position has provoked considerable debate as to how Venezuela can best take advantage of the Gulf crisis. Venezuela, whose economy is in serious trouble, clearly could use additional income this year from oil exports to new commercial clients. The government, however, seems to be limiting new business opportunities for Petroleos de Venezuela SA (PDVSA), the national oil company, in order to meet commitments to Third World friends.

The government in late August announced PDVSA would raise crude production by more than 25 per cent to make up for part of the deficit caused by the loss of petroleum from Iraq and Kuwait. PDVSA currently is producing just over 2m b/d, and plans to reach 2.5m b/d by December.

This decision was only reached after much confusing soul-searching. Soon after Iraq invaded Kuwait, President Carlos Andres Pérez told US Vice-President Dan Quayle that Venezuela would be willing to help ease any future oil shortage in the US, using 500,000 b/d of additional production. President Pérez later claimed he had made no such pledge, angering US officials and puzzling American companies who believed Venezuela had tried to strengthen its image in the US as a reliable oil supplier. The US is currently Venezuela's most important market, last year absorbing 66 per cent of its 1.62m barrels per day crude and refined products exports.

CRUDE OIL RESERVES*

Country	Barrels bn
Saudi Arabia	255.0
Iraq	100.0
Kuwait	94.5
Iran	92.9
Abu Dhabi	92.2
Venezuela†	58.5
USSR	58.4
Mexico	56.4
United States	34.1
China	24.0

*Year end 1990. †Not including heavy oil. Source: BP Statistical Review of World Energy, June, 1990

US crude oil and refined products stocks showed an unexpected increase last week, according to the American Petroleum Institute, writes Steven Butler.

The stock movements indicate that the cut-off of Kuwaiti and Iraqi exports has yet to make a significant impact on stock positions and reinforced criticism that prices are being driven higher by efforts of oil companies to maintain stocks. They rose by 2.07m barrels to 374m barrels, 36m barrels higher than a year ago.

For their part, executives at PDVSA argued the country should begin increasing crude production and building inventories immediately after the invasion of Kuwait. They were thus extremely frustrated to see Saudi Arabia, Iran and other oil-producers raise output, as the Venezuelan government waited for an Opec decision. President Pérez and Mr Celestino Armas, the pro-Opec Minister of Energy and Mines, insisted on acting within the organisation's framework. Even now it is not clear what the Venezuelan government will do with its additional crude output.

Several governments – including Spain and India – have asked Venezuela to supply oil. While the Pérez Administration will probably target most of its new production to the US, it also has said priority will be given to supplying Third World countries, especially in Latin America and the Caribbean. PDVSA, therefore, could lose a potential market share in the US to some Middle East suppliers, as it shifts new petroleum production to other markets.

At heart there are two unresolved contradictions – between President Pérez's desire to play the role of champion in Opec and the Third World, while simultaneously trying to convince the US of his country's long-term support – and between political and purely market decisions that determine PDVSA's role.

For instance,the Venezuelan president praises his nation's commercial ties with the US, and is actively seeking American financial backing for multi-billion dollar projects, such as increasing oil production, building new refineries and establishing a so-called strategic petroleum reserve in Venezuela that could be used by the US during an emergency.

Equally, Mr Pérez has allowed open conflicts to occur between his Energy Minister, a mining engineer turned politician, and the professional managers at PDVSA. The latter see Opec as being responsible for steadily reducing Venezuela's share of the organisation's total production over the last two decades.

They also blame some Venezuelan politicians for placing a strait-jacket on Venezuela, while other Opec members regularly and openly flaunted their production quotas.

Managers, in short, want to raise the performance of the company which last year recorded a net profit of $2.1bn (£1.13bn) on a turnover of $13.7bn. In the past, the impressive scope of Venezuela's oil industry has tended to be eclipsed by the Middle East producers. Yet Venezuela's national oil company is one of the world's largest diversified energy concerns. PDVSA has the largest proved reserves of crude oil in the Western Hemisphere, estimated at just over 59bn barrels, as of year-end 1989. In contrast, the US has proven reserves of 34.1bn barrels, Canada 8.3bn, and the UK 3.8bn.

PDVSA has also discovered – and is developing – large deposits of light and medium crude oil in eastern Venezuela and other sectors. PDVSA has extensive oil and gas production facilities at home, six oil refineries, a sea-going tanker fleet, petrochemical plants, and a coal mine.

In the Orinoco Belt, a region lying north of the Orinoco river, Venezuela possesses the world's largest deposits of heavy oil and bitumen. PDVSA estimates that the Orinoco Belt contains 1.2tr barrels of hydrocarbons, of which 271bn barrels can be recovered economically.

The situation has prompted renewed calls for the government to quit Opec and to abolish the Ministry of Energy. The latter was set up decades ago to monitor and control foreign oil companies in Venezuela, but all foreign oil operators were nationalised in 1976. It is not likely that either of these suggestions will be heeded.

President Pérez has responded to criticisms by asserting he was misinterpreted, or that no contradictions exist. In fact, Venezuela clearly has not reneged on any oil contracts and is finally raising crude oil production.

Thomson CSF denies Iraq sale

Thomson CSF, the French state-owned defence electronics company, yesterday denied that it had supplied Iraq with any equipment capable of jamming US Awacs surveillance aircraft in the Gulf, George Graham writes from Paris

In a statement issued yesterday, Thomson said that the FFr900m (£91m) contract it signed with Iraq in January was in no way related to surveillance or counter-measures equipment, and that in any case, it had not been followed by any deliveries. It added that the contract was now covered by the United Nations embargo.

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INTERNATIONAL NEWS

Bhutto faces new charges before special tribunals

By David Housego and Farhan Bokhari in Islamabad

THE PAKISTAN Government yesterday intensified its campaign against Ms Benazir Bhutto, the former Prime Minister. It accused her of involvement in a widely publicised scandal involving alleged corruption during her 20-month administration.

It said it would prosecute her before a special tribunal in Lahore on allegations that she helped business interests close to her husband, Mr Ali Asaf Zardari, in attempts to secure planning permission and land at below market rates for a proposed five-star hotel complex near Islamabad. The Lakeview Resort Hotel would have included an 18-hole golf course and a polo field.

A second charge involved the award of contracts for the sale of liquefied petroleum gas.

The fresh charges against Ms Bhutto come at a time when the election campaign is moving into higher gear. Yesterday was the final day for candidates nominations. Ms Bhutto is standing for constituencies in Sindh and the Frontier province while Mr Zardari is contesting a seat in Sindh, the family's home province.

The conservative Islamic Democratic Alliance (IJI), a coalition of Moslem and rightist parties, will be putting up a single candidate against Ms Bhutto's Pakistan People's Party in most constituencies. But their agreement on a common list has come after much wrangling, and rivalry over the leadership has damaged their public image.

At one point Mr Nawaz Sharif, the president of the alliance, sought the intervention of President Ghulam Ishaq Khan to smooth differences among them. The President, who has come under increasing personal attack from Ms Bhutto for overthrowing her government, declined to intervene.

Indicative of the divisions within the conservative alliance, the Jamaat-i-Islam – one of the more extremist members – has criticised the government for bringing itself into ridicule for failing to bring solid proof against Ms Bhutto.

The PPP is entering the election campaign in stronger shape than either the government or the party itself had expected two weeks ago.

● A special court in the Punjab provincial capital Lahore dismissed the case against Mr Jahangir Badar, Ms Bhutto's former Petroleum and Natural Resources Minister, for lack of evidence, Reuter adds from Lahore. Mr Badar's case involving an alleged unlawful refund to a company, is the first dismissed by one of the 11 special courts.

S African violence fails to dim business cheer

Philip Gawith looks at prospects for a reversal in the decline of investment and growth

THE South African business community is nothing if not phlegmatic. Surrounded by horrendous levels of political violence, repeated labour disruptions, consumer boycotts and a stagnating economy, it remains resolutely optimistic about the future.

Events since President F.W. de Klerk's historic speech on February 2 heralding a move towards a non-racial government, and the release nine days later of Mr Nelson Mandela, the black nationalist leader, have certainly dulled the euphoria of those days.

But as Dr Conrad Strauss, group managing director of the Standard Bank Group, puts it: "The business community is very encouraged by the new direction adopted by Mr de Klerk because we believe it puts us on the road that may eventually lead to an equilibrium in our society – provide the stability and security in which investment can thrive and growth can take place."

Of investment and growth there is little evidence. Mr Edward Osborne, chief economist at Nedcor, notes that "critical to the whole growth process is the decision to invest. You can't grow without expanded capacity to produce."

Recent events, says Mr Osborne, have been inimical to investor confidence and this is borne out by statistics from the Reserve Bank, the country's central bank, which show that real gross domestic fixed investment declined at an annual rate of 1.5 per cent in the five quarters to mid-1990.

A disturbing element was that the private sector was largely responsible for this decline. Private sector fixed investment decreased over the period at an annualised rate of 3 per cent, double the overall rate. The Reserve Bank also warns against the danger of technological obsolescence, pointing out that the average age of equipment in private manufacturing has increased by nearly 30 per cent since 1984.

The economic slowdown started at least a year before any of this year's upheavals. Mr Osborne and others agree that a slowing economy and high interest rates have been a greater disincentive to investment than political disruption. But high levels of industrial action, consumer boycotts and political violence have undoubtedly exacerbated matters. At the beginning of the year economists were looking for about 1 per cent real growth in gross domestic product. Now negative growth seems a likelihood.

According to industrial relations consultant Andrew Levy and Associates, approximately 1.2m days were lost through work stoppages and strikes in the first half of the year (and a further 700,000 days in July), nearly three times as many as in the first half of 1989. Employer, union and government officials agree that the increase is due to a combination of heightened worker expectations, following political reform moves, and the troubled state of the economy.

Mr Serge Martinengo, managing director of Checkers, one of the country's three largest supermarket chains, estimates that his store lost R200m (£42m) from consumer boycotts in a four to five-month period this year. Group annual turnover is some R3bn.

In spite of these trends, many businessmen are taking the longer view and find cause for optimism in hopes for political stability. This in turn implies an end to South Africa's pariah status internationally, while at home greater economic stability would offer prospects for growth.

Local businessmen are largely inured to the vicissitudes of the political climate. Says Dr Strauss: "The business community expects the socio-political process to have its abrasive moments."

Mr Warren Clewlow, chief executive of Barlow Rand, the country's largest industrial company, adds: "The problems we are experiencing at the moment are those of people who are learning to exercise increasing freedom, not those of people who want to destroy the country."

Some would consider that an unduly sanguine gloss on the township devastation, but Barlow is putting its money where its mouth is. Mr Clewlow says social unrest and labour turbulence has not affected Barlow's investment plans and that significant investment is taking place in every area of the group. Capital projects in excess of R2bn are being undertaken in the 1990-91 year.

Although there is considerable anecdotal evidence of increased foreign investment interest, some of it from quarters conspicuously absent in recent years, this has yet to translate into much money flowing into the economy. There are definite signs of a "wait and see" attitude, a function of instability, but also relevant is the sluggishness of the economy which hardly promises a good return on investment.

There are, however, definite signs of the sanctions climate thawing. South Africa recently cemented trade relations with Hungary and Mr Kent Durr, Minister of Trade and Industry, led a high-level trade delegation to Moscow last month which is expected to lead to the establishment of trade links. Analysts believe that export-oriented companies are, if anything, speeding up investment plans on the assumption that a sanctions-free environment is imminent.

Mr Louis Kriel, managing director of Unifruco, the country's international deciduous fruit marketing arm, reports a dramatically improved atmosphere in Europe since February.

Squatters at Phola Park shanty town near Johannesburg armed against attack by Zulu migrant workers. Since Mr Nelson Mandela and President F.W. de Klerk met Tuesday to discuss township violence, another 50 have died. Mr Pik Botha, the Foreign Minister, yesterday asked the UN to urge a meeting between Mr Mandela and Chief Mangosuthu Buthelezi, the Zulu leader.

An explosion at Anglo American's Vaal Reefs gold mine yesterday killed 19 miners and injured 22, Our Foreign Staff writes. The cause of the blast, about 2,000 metres underground at Vaal Reefs' east mine, was not immediately known. "Preliminary investigations are taking place at present," an Anglo statement said. The incident was one of the worst in the country's mining industry this year. Vaal Reefs produced 75.5 tonnes of gold in 1989, about 12 per cent of South Africa's output. Anglo gave no estimate of the impact on production.

China and UK bicker over bases

By John Elliott in Hong Kong

BRITAIN and China have failed to agree on the siting of Chinese army and navy establishments in Hong Kong after the colony returns to Peking's sovereignty in 1997.

But there were some signs during two days of talks in Hong Kong that relations, strained since last year's Tiananmen Square massacre, are beginning to improve and that China is willing to resume detailed discussions on the 1997 handover.

Last week senior Chinese leaders conducted a Hong Kong policy review in Peking. This is believed to have authorised a more co-operative approach, which British diplomats hope will emerge in London early next month at a meeting of the Sino-British joint liaison group preparing for 1997.

The location of defence establishments is specially sensitive because of local opposition to the stationing of China's army in Britain's existing barracks in the central area of Hong Kong island.

The UK last year annoyed China by announcing a plan, now being implemented, to move Hong Kong's naval base to Stonecutters island in the harbour. This will make way for a big waterfront redevelopment project. The naval basin involved forms part of the Tamar garrison headquarters which the UK would also like to redevelop. The whole site could be worth anything from HK$15bn (£1.04bn) to HK$30bn, when put up for auction.

● More than 500 have been executed in China so far this year in the country's biggest crackdown on crime since 1983, according to the human rights group Amnesty International.

Role seen for foreign investment in India

By K.K. Sharma in New Delhi

THE Reserve Bank of India, the country's central bank, favours an increase in direct foreign investment as a way of reducing pressure on the balance of payments, a pressure which it expects to grow because of the Gulf crisis.

In its annual report published yesterday the bank did not elaborate on how it expects foreign investment to grow but, in view of the restrictive policy of the Indian government, its suggestion is significant.

The report points out that the inflow of foreign investment into India is "very small" at $200m a year compared with much higher inflows into other Asian countries.

The bank's recommendation on foreign exchange has been made in the context of the current heavy strains involved in financing the current account deficit mainly through foreign aid, commercial borrowings and bank deposits by non-resident Indians.

The bank points out that the outlook for concessionary aid is not bright and terms are hardening at a time when India must exercise caution in making commercial borrowings from the world capital markets. It has also pointed out that the cost of interest paid to non-resident Indians for their bank deposits is also high.

The government's present policy is to allow direct foreign investment in selected areas with the emphasis on high technology and export-oriented ventures. The policy is being liberalised but an announcement has been delayed because of differences within the government.

The Reserve Bank has drawn attention to the growing current account and budgetary deficits in the last few years and urged that these be brought down to safer levels. It has asked the government to aim at reducing the budgetary deficit to just 1 per cent of gross domestic product from the 1.5 per cent projected for the current financial year.

Despite these warning signals, the Bank is cautiously optimistic about the growth prospects of the economy. It says many indicators suggest that real GDP growth in 1990-91 will be about 5 per cent after registering a growth of 4.5 per cent in the previous year.

The report says that the monsoon rains this year have been good and so the high foodgrain target of 176.5m tonnes is likely to be achieved. Industrial growth is projected to be high at 8 per cent.

Japan's trade surplus grows

By Robert Thomson in Tokyo

JAPAN'S trade surplus for August increased by 3.7 per cent from a year earlier to $3.49bn (£1.88bn), as exports continued their third successive month of growth and trade with European Community increased sharply.

Customs-cleared exports rose 2.6 per cent to $22.4bn, while imports rose 2.4 per cent to $18.9bn. The bilateral surplus with the US fell 6 per cent to $2.83bn, with exports to the US falling 3.2 per cent and imports from the US down 1.3 per cent from a year earlier.

Imports from the EC rose 22.9 per cent, and exports to the EC rose 9.2 per cent, with Japan's surplus down 16.2 per cent to $1.13bn.

Japan's Ministry of Finance suggests that the higher surplus, the second monthly increase since June, is an exception because of a relative fall in aircraft imports.

Officials said the impact of the Middle East crisis on trade figures would be more obvious in the September accounts.

US bank insurance fund 'may run out of money'

By Peter Riddell, US Editor, in Washington

THE US Federal fund which insures bank deposits is "very vulnerable" and could easily run out of money if a weaker economy produces continued substantial losses or if one very large bank fails, the Congressional Budget Office (CBO) warned yesterday.

The CBO's gloomy assessment follows similar warnings on Tuesday from the General Accounting Office, the investigative arm of Congress. Both reports were immediately taken up yesterday by Senator Don Riegle, the Democratic chairman of the Senate Banking Committee, in support of legislation to give the Federal Deposit Insurance Corporation (FDIC) whatever authority it needs to raise insurance premiums from member banks.

The senator said that Congress's first priority must be to protect the bank insurance fund – guaranteeing deposits up to $100,000 – and action *should be taken this autumn.*

The CBO yesterday estimated that bank failures could amount to between 600 and 700 over the 1990-93 period, which could represent calls on the bank insurance fund of $21bn.

Riegle: seized on report

"The uncertain economic outlook, exacerbated by declines in real estate values and sharp increases in oil prices, raises concerns that spending from the fund could be greater during the next few *years than estimated,"* Mr Robert Reischauer, the CBO director, said.

The FDIC has already proposed increasing the assessment from the current 12 cents per $100 to 19.5 cents next year in view of the continuing high level of losses, estimated at $2bn this year. Such a loss would reduce the fund balance of $13.2bn well below the current level of around 70 cents per $100 of deposits, compared with the official target of $1.25 per $100.

Congressional leaders support a further increase in insurance premiums above the level already proposed since maintaining the solvency of the fund would avoid the same kind of huge call on taxpayers seen in the savings and loan rescue. But bankers have warned *that a further rise in* premiums would be damaging.

In parallel testimony to the Senate Banking Committee, Mr Michael Destefano, vice president of Standard and Poor's Corporation, said that in the last six months the agency has lowered ratings on 36 US bank holding companies, some more than once, and upgraded only four.

He said most of the downgrades were driven by deteriorating asset quality in real estate portfolios and concern over loans to high leveraged transactions.

Political novice scores surprise win in Washington mayoral race

By Lionel Barber in Washington

MRS Sharon Pratt Dixon, a political novice with a touch of Margaret Thatcher to her campaign style, scored a surprise victory in the race for the Democratic party's mayoral nomination in Washington DC.

Mrs Dixon's win means that Washington DC could elect a woman as mayor in the November mid-term elections, a notable first and a stunning rebuke to the city's entrenched political establishment, dominated for the past decade by Mayor Marion Barry.

Since 90 per cent of registered voters are Democrats in Washington DC, Mrs Dixon ranks as the favourite against Mr Maurice Turner, the amiable former DC police chief recruited by the Republican party to campaign on a law and order ticket. Mrs Dixon, however, expressed concern yesterday that gender could be an issue in the general election.

Voters in the primary appeared dillusioned with the "politics as usual" offered by Mrs Dixon's opponents, particularly Mr John Ray, whose fund-raising skills made him the favourite. With one exception, all candidates, including Mrs Dixon, are black.

With a budget deficit of $100m (£54m) looming and a weakening local economy, Mrs Dixon, a lawyer and former middle manager with the local electric company, came across as a candidate willing to cut the city's bloated payroll and restore its finances.

The Dixon campaign was helped by ringing endorsements from the Washington Post which touted her as the candidate to clean up city hall. The intervention echoed the 1978 campaign in favour of Mr Barry in his first run for mayor.

Mr Barry's subsequent fall from grace and drugs and perjury trial this summer was the unspoken theme of the campaign. Mr Ray suffered from his failure to criticise Mr Barry; Mrs Dixon scored by coming out early against the mayor who is now awaiting sentence on a drug possession count.

In a separate DC race, the Rev Jesse Jackson, who is to host a TV talk show this autumn, was easily nominated for one of two newly created "shadow" seats to the US Senate, aimed at lobbying for DC statehood.

Mexico permitted to join Pacific economic conference

By Alan Robinson in Mexico City

MEXICO joined the Pacific Conference on Economic Co-operation (PCEC) this week, after the 15 member nations approved its request for membership of the group, the Foreign Relations Ministry announced in Mexico City.

"Mexico will now participate in the most important multilateral organisation of the Pacific Rim," a ministry spokesmen *said.*

The PCEC, which meets annually but does not have a permanent directorate, was set up in 1980 to co-ordinate efforts to improve trade among members.

Mexico has been an observer at PCEC meetings since 1983 and is now represented on nine subcommittees.

The move, which comes only a few days after Mexico's formal request for an opening to negotiations on a US-Mexico free trade pact, reflects Mexico's campaign to sell itself to foreign investors as an *ideal export platform.*

Mr Claudio X. Gonzalez, President Carlos Salinas de Gortari's special adviser on foreign investment, said: "We are right next to the US and Canada, the world's largest market; we have a long Pacific coastline, we have coasts facing Europe, and Mexico is the gateway to Latin America."

Close to 70 per cent of Mexico's total foreign trade is with the US, while the Asian Pacific Rim nations account for roughly 7 per cent.

Although Japan accounts for the majority of this, its investment in Mexico is only about 6 per cent of the total foreign investment figure of $24bn.

Mexico's ardent wooing of Japanese investment over the last few years has not had spectacular results.

Only 40 of the approximately 1,400 in-bond processing (maquiladora) plants are Japanese-owned, in spite of the fact that these plants generally have 100 per cent foreign capital, and Japan has been remarkably cautious about direct foreign investment.

Brazil moves to protect exports

By Christina Lamb in Rio de Janeiro

MR IBRAHIM ERIS, head of the Brazilian central bank, has admitted that the dramatic fall of the dollar exchange rate caused by the Government's latest liquidity squeeze has forced it to buy $800m in dollars in the last 10 days to prevent Brazilian exports being priced out of the market.

Mr Eris told a seminar in São Paulo: "We are facing a dilemma between our monetary policy and the exchange rate ... We have created a situation of panic in the market through our mistake of predicting a monetary adjustment in September."

The prospect of a $14bn squeeze this month caused a run on the cruzeiro. Banks have been using foreign *exchange to buy cruzeiros to* pay rising interest rates, which have reached an annual 670 per cent and meet increased compulsory reserve levels. Exporters too have been selling dollars in almost double their usual amounts.

To prevent the dollar rate falling so low as to make exports uncompetitive Mr Eris said the bank had bought $800m since September 3, far above the usual $300m per month and going against the Government's tight monetary policy. "It was an abnormality, going against our principles. Since March we have been neither raising nor decreasing the rate," he said.

However, he said the additional cruzeiros issued into the economy – 7 per cent of money in circulation – would not affect monetary targets. "Although we've been buying dollars since August 20 the mechanisms we are imposing *are sufficient* to compensate by the end of the month the value of cruzeiros injected into economy."

● Bank workers all over Brazil began an indefinite strike yesterday demanding pay increases of up to 297 per cent. Oil workers, demanding a 104 per cent rise, were also threatening to strike, and were awaiting the outcome of a meeting between Petrobras, the state-owned oil industry, and the labour courts in Brasilia to see if the stoppage would be allowed.

Four of the 19 regional Petrobras unions have already voted to accept the company's offer of 98 per cent.

● An Amazon tribal chief and his son were shot dead and two other Indians seriously wounded in two separate attacks by wildcat gold miners, Brazilian officials said late on Tuesday, Reuter reports from Rio de Janeiro.

At least three miners also were killed in the rugged jungle territory of Roraima during one of the shootouts, officials of the National Indian Foundation, Funai, said.

NDP doubles its representation

By Bernard Simon in Toronto

CANADA'S left-leaning New Democratic Party has made a strong showing in elections in the prairie province of Manitoba, less than a week after gaining control of the provincial government in Ontario.

Although Manitoba voters returned the province's Progressive Conservative government with 30 of the 57 seats in the legislature, the NDP almost doubled its representation from 12 to 20. The NDP thus becomes the province's official opposition, ousting the Liberals, who lost two-thirds of their seats. The NDP's win in Ontario last week was also at the expense of the Liberals.

Although Canadian voters often switch allegiances in provincial and federal elections, the results in Ontario and Manitoba bring little comfort to either of the main federal parties, the ruling Progressive Conservatives or the opposition Liberals.

Manitoba's Conservative Premier Mr Gary Filmon has distanced himself from Mr Brian Mulroney, Canada's *Prime* Minister, especially through his opposition to the failed Meech Lake constitutional accord. The Liberals' poor showing in the two provinces will deprive the federal party of badly needed resources, and reduces the influence of some of its most charismatic provincial politicians.

Manitoba Premier Gary Filmon retains power

However, the NDP's strong performance at this stage appears to reflect more a protest vote than an endorsement of its interventionist policies. The party is still not seen as a serious threat to the Tories or Liberals.

● Greenpeace said on Tuesday its flagship, The Rainbow Warrior, was blocking shipments from Canada's largest chlorine producer as part of a protest against the manufacture of the "deadly" chemical, Reuter reports from Vancouver.

A spokesman for the global environment organisation said 50 demonstrators for the global environmental group were preventing liquid chlorine from leaving or entering the North Vancouver plant of Canadian Occidental Petroleum Ltd.

"We've shut down all shipments in and out of the plant," said Mr Brian Killeen.

A Canadian Occidental spokesman said the company was attempting to remove the "trespassers" but declined to elaborate.

Greenpeace accused the British Columbia government of failing to control the discharge of cancer-causing chlorinated compounds by the pulp and paper industry.

Jamaica decides to float its currency

By Canute James in Kingston

THE Jamaican dollar is to be floated from Monday, as part of the government's attempts to deregulate the *economy.*

Bankers expect the move to lead to an effective devaluation of between 12 per cent and 15 per cent. The current fixed rate is J$7 to the US dollar.

The government is discussing a new credit package from the International Monetary Fund following the economy's failure to meet performance criteria *agreed* earlier this year. Bankers say floating the currency is intended to meet the Fund's request for a devaluation as one condition for the credits.

Mr P J Patterson, the island's acting prime minister, said Jamaica was expecting SDR82m from the IMF by March 1991. Payments arrears which stood at $268m at the end of last month would be cleared by next March.

Newsprint dispute

Abitibi-Price, the newsprint group controlled by the Reichmann family of Toronto, has broken off negotiations with the Canadian Paperworkers Union, leading to fears of a long a strike at nine Abitibi mills in eastern Canada, writes Robert Gibbens in Montreal.

The CPU was also expected to strike at several Canadian Pacific Forest Product mills last night.

Both companies have newsprint mills in western Canada and in the US to keep the flow of product going. Negotiations in both cases have broken down on such issues as money, productivity, pensions and contracting out.

Air tickets ruling

Airlines can be sued for damages for selling tickets that are subject to "bumping" when flights are overbooked, a US federal court has ruled, AP reports from San Francisco.

An appeals court ruled that a federal ban on direct state regulation of airlines does not prevent a passenger from suing under ordinary state law.

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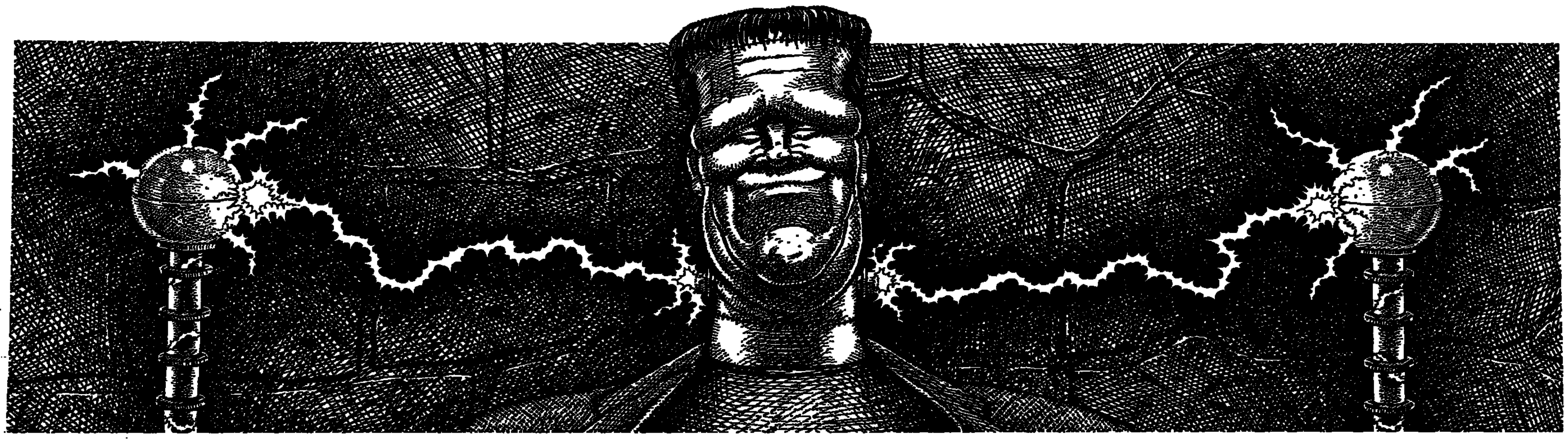

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EUROPEAN NEWS

'European union more urgent'

By Lucy Kellaway in Strasbourg

THE need for a closer economic and political union in Europe has been made all the more urgent by the Gulf crisis, Mr Jacques Delors, president of the European Commission, said yesterday.

During a debate in Strasbourg on the Gulf, Mr Delors said Europe must become an "actor on the world stage, which is prepared to assume its full responsibilities." Failure to do so would mean jeopardising all the work done towards building a new Europe, he said.

His views were echoed by MEPs from most parties, who argued that events in the Gulf proved that the European Community lacked the mechanisms to allow it to act quickly and decisively enough to protect its security interests.

The point was put more directly earlier in the week by Sir Leon Brittan, the EC competition commissioner, who argued that the existing mechanism of political co-operation between member states was no longer enough. He put forward the notion of a European Security Community which would provide a forum for a common European defence strategy.

Mr Delors: the Gulf crisis has made European monetary union 'all the more necessary'

Sir Geoffrey Howe, the British deputy Prime Minister, expressed scepticism about whether member states were ready to go beyond the current security institutions of Nato and the Western European Union or WEU. But he did agree with the general feeling in Strasbourg that the EC's response to the Gulf crisis had not been enough.

"There is a hankering for ways that would make more impressive the community's response," he said, adding that the crisis "underlined the need to give Europe a stronger foreign policy identity."

Mr Delors attempted to put a brave face on last weekend's meeting of finance ministers in Rome, during which member states expressed their doubts about a rapid move towards monetary union.

In an unusually direct attack on member states – Spain in particular – and the gloomy impression they had given to reporters, he said: "Some people prefer to impress the journalists by acts all of their own making."

He said that while the pessimists talked of the strains imposed by high oil prices making monetary union more difficult, in fact the opposite was the case. The crisis had made monetary union "all the more necessary as there is a risk the economies will take separate paths otherwise," he said.

However, Mr Delors expressed anxiety about the effects of high and unstable oil prices. "We are considering how we can curb excessive speculation and find a price guarantee for oil."

Spain's view on EMU is 'unchanged'

By Tom Burns in Madrid

STUNG by accusations that Spain has shifted its position and is attempting to delay moves towards European monetary union, senior officials in Madrid yesterday claimed that compromise proposals on the process tabled by Mr Carlos Solchaga, the economy minister, at a meeting of EC finance ministers in Rome last weekend had been misrepresented.

"We have not changed our position," said Mr Pedro Perez, the junior economy minister. "We are proposing dates and concrete ideas that will make EMU, which is a revolutionary process, possible for all members of the community."

The Solchaga plan was a surprise move at the Rome meeting and was welcomed by Mr John Major, the UK Chancellor of the Exchequer, every bit as much as it angered Mr Jacques Delors, the European Commission president.

The plan suggested delaying the start of the second phase of the three-part Delors plan for EMU by a year until January 1 1994.

It also called for the creation of a European Monetary Fund issuing a "hard Ecu" on the lines proposed by Mr Major, during a second stage that would last for between five and six years – a period longer than that envisaged by Mr Delors.

European Commission officials later implied that they expected Mr Felipe Gonzalez, Spain's Prime Minister and a known enthusiast of the Delors plan, to overrule his finance minister. Such suggestions have intensely irritated Madrid officials, who insist that Mr Solchaga has the Prime Minister's total support.

One substantive ingredient of the Solchaga plan is the creation of a monetary institution, much like Mr Major's Euro Fund, which would be independent of national governments and which, at the end of the second stage, would transform itself into the European System of Central Banks.

A second element is the manner in which this institution would issue a "hard Ecu." This would would not be devalued against any national currency in any potential alignment and after a period of irreversibly locked bilateral exchange rates, would become the single currency of Europe.

The fundamental concern expressed by Madrid officials is that present thinking in the commission, with the specific backing of France, on the timing of EMU leads inexorably towards a two-track monetary union in which Spain and Britain would be losers in the slower lane.

They said the spirit of the Delors plan, calling for all EC members to move towards a single European currency, a central European bank and a common monetary policy at the end of the third stage, is incompatible with the timing that Mr Delors and the commission now appear to be suggesting.

Economic Viewpoint, Page 23

Paris Club reschedules Morocco's debt

Morocco has won a major debt rescheduling agreement from the Paris Club of creditor nations, George Graham writes from Paris.

The agreement breaks new ground in encouraging Paris Club countries for the first time to convert part of their Moroccan debt into local currency projects, including environmental protection, aid and equity investments.

The 11 creditor countries, estimated to be owed around $7.5bn out of Morocco's total debt of $21bn, agreed to accept a rescheduling of repayments on development aid loans over 20 years, and of other official loans over 15 years.

The rescheduling period is longer than most past Paris Club agreements for lower middle income countries like Morocco, which last rescheduled $1.05bn of debt payments in October 1988 over 10 years.

One of the most heavily indebted middle income countries, Morocco's total debt service in 1989-90 has been estimated at $5.6bn. Its outstanding debt amounts to 106 per cent of GDP.

EC delays Saab probe

The European Commission said yesterday it had delayed an investigation into French plans to grant Sweden's Saab-Scania a FFr300m ($56.6m) subsidy for a truck-making plant in France, Reuter reports from Paris.

A commission spokesman said the European Community's executive would meet French government officials within two weeks to discuss fresh information they had supplied on the state aid. The commission would then decide whether to open a formal enquiry, he added.

France sought clearance in June for its part in a FFr1.7bn Saab-Scania investment in a plant at Angers in western France. EC competition rules introduced in 1989 require advance commission approval of all motor industry subsidies over Ecu12m ($15.6m).

Romanian forex sales

Romanian companies will be able to auction their surplus hard currency from next month as a step towards creating a new foreign exchange market, a senior bank official said yesterday, Reuter reports from Bucharest.

Mr Dan Pascariu, the vice-president of the Romanian Bank for Foreign Trade, said that, under a new financial law passed on Tuesday, Romanian companies could retain 30 per cent of the hard currency they earned from the exports for their own use.

At the present official rate, Romanian banks give 20 lei to the dollar, while the black market rate is at least 100 to the dollar.

Albanian wage rises

Communist Albania has announced wage rises of up to 20 per cent to help boost production and its stagnating economy, Europe's poorest, Reuter reports from Vienna.

The state news agency ATA said that measures approved by the Council of Ministers would raise average monthly pay to about 570 leks ($57) from 523 leks and ensure a minimum monthly income of 450 leks. The rises, of up to 20 per cent for those on the lowest incomes, apply to 642,000 workers in industry, agriculture and other sectors of the economy and take effect on October 1.

High risks for the western alliance in a Gulf conflict

IAN DAVIDSON ON EUROPE

THE CRISIS in the Gulf seems to be unfolding towards a major tragedy. The chance of war is high; if so, the costs in terms of human life will be fearful; the prospects of victory are more than uncertain; and yet the ratchet of events seems to be driving inexorably towards that end.

War is not America's declared policy, of course. But among US strategic analysts there seems to be an almost universal assumption that war is coming because it cannot be avoided. The forces are being built up; they cannot be withdrawn while Saddam Hussein remains in control of Kuwait; they cannot sit there for long; so they must be used soon after deployment allows, say from mid-October.

It is the prospect of war which is releasing a flood of old US complaints that the allies are failing to pull their weight; but the prospect of war is also, no doubt, the reason why the allies are hanging back.

By a remarkable achievement of international solidarity, the United Nations has managed to agree on a static policy of denial, in the embargo. But a war would be a moving process, conducted by the Americans, at a time and in circumstances which are uncertain, and with military and political objectives which may not be defined in advance.

By hassle and persuasion, the US has got the allies to step up their military contributions to the enforcement of the embargo. But if war breaks out, all bets will be off, and the almost universal consensus behind the UN Security Council resolutions will fly apart. Indeed there is also a serious potential threat to the general cohesion of the western alliance.

In the past, Americans have tended to argue that the European allies owed them a debt of solidarity, at the very least: in return for the US commitment to the defence of Europe, the Europeans should back up the US when it was defending western interests outside the Nato area. The unstated threat, and it is not always unstated, is that if the Europeans are unco-operative, the Yankees might go home.

In the new era of peace and disarmament, however, this is unlikely to be a one-sided debate. No western European government wants the Americans to get out of Europe. On the other hand, it is now widely admitted that, for the foreseeable future, there is no meaningful Soviet military threat to western Europe, because the Warsaw Pact has effectively ceased to exist.

This week, the US and the Soviet Union scrapped their February agreement to limit their forces in Europe to 195,000 men each (plus a bonus of 30,000 for the Americans), because it had simply been overtaken by events. The new unofficial target figure for US forces is now around 70,000-100,000, but no figures are sacrosanct any more.

Indeed, doubts remain whether Nato itself can survive the disappearance of the Soviet threat, or in what form. At the London summit earlier this year, Nato leaders made a declaratory stab at the rethinking of western military doctrine, and that process is still under way. It seems probable that a steep cut in American forces in Europe would reduce America's military role in the alliance. But the political debate over the future of the alliance, the doctrine of Nato, and the role of the US, would inevitably become much more heated if it were being conducted against the backdrop of a war in the Gulf.

The debate would no doubt be particularly acute in Germany. President Mikhail Gorbachev made an important symbolic concession earlier this year, when he agreed that the unified Germany should remain a full member of Nato. But the really new fact after unification on October 3, is that Germany will become a fully sovereign member of Nato, with a potentially greater influence over the evolution of the alliance.

An early test of German attitudes, will be the stationing of foreign troops in Germany. The conclusion yesterday of the "2 plus 4" process means that the rights of the Second World War victors will fall away, and a new basis for foreign troops will have to be found. President François Mitterrand has assumed that the new Germany would not want French troops to stay, and has set about pulling them home over the next four years.

In reality, the German attitude is bolder and more assertive than that. Next Monday, at the bilateral Franco-German summit in Munich, Chancellor Helmut Kohl is likely to ask President Mitterrand to keep French troops in Germany, but only on condition that they are integrated with allied (probably German) forces. One idea would be the formation of a Franco-German corps.

The first implication is that the Bonn Government is drawing the natural conclusion from the likely reduction in US forces, and believes that Nato will become more of a European affair. But a reduced Nato can only have a plausible defence posture if all members contribute on an equal footing. Therefore, the time has come for France to abandon its antique pretensions to an autonomous defence policy, separate from the rest of the alliance. In other words, the German Government is turning on France the integrationist logic in the defence field which France has turned so long and so intensely on Bonn, in the fields of economic and monetary union and political union.

The logic of European integration is likely to remain powerful, whatever happens; there is no plausible case to imagine that the new Germany will lurch off into dreams of national expansionism. On the other hand, a war in the Gulf would almost inevitably provoke a debate over the transatlantic facet of European security, especially in Germany, but also in other European countries.

The question here is not one of right and wrong, but of politics. Perhaps, if all else fails, the principles at stake in the Gulf will require resort to war, despite the tragic consequences. Perhaps, one day, the logic of integration would make it a feasible option for Europe as well. But for the moment we only know that a war in the Gulf would be deeply damaging for the Atlantic alliance.

Soviet tussle over reform plan brings anger and bewilderment

By Anthony Robinson in Moscow

THE debate in the Soviet parliament on economic reform moved into closed session yesterday, leaving deputies angry and foreign businessmen bewildered over the confusing turn of events.

The deputies were annoyed at the Government's delay in providing full texts of the rival economic programmes of Prime Minister Nikolai Ryzhkov and Professor Stanislav Shatalin. The debate moved to special committees and the next plenary session is expected on Monday.

Meanwhile, worried foreign businessmen, especially those used to the old system of foreign trade monopolies and a foreign trade bank which always paid promptly, were chasing payments.

"Up till three months ago delays were apologised for. Now they are simply being told that there is no money in the bank," said a trader with long experience in Moscow. "When pressed, Soviet banks now suggest that foreign businessmen should follow the German example and ask their governments to grant big trade credits if they want to be paid."

In June a DM5bn (£1.7bn) loan, guaranteed by the West German government, was immediately used to wipe out accumulated trade debts. Moscow will receive a further DM12bn from West Germany to help finance the repatriation of its forces from East Germany by 1994 and is also benefiting from higher oil prices and the sale of minerals and other surplus stocks.

But with the republics and individual enterprises now demanding control over their own foreign trade and hard currency earnings, debt financing and hard currency transactions are entering uncharted waters.

Indeed, the debate over the speed and extent of moves towards a market system has become inseparable from the wider debate over the country's future political shape.

Mr Ryzhkov has warned that adoption of different economic programmes by the centre and individual republics would lead to the disintegration of the Soviet Union.

In fact, the delay in working out an agreed joint economic programme has already accelerated this process, with the Russian parliament on Monday adopting the Shatalin plan, irrespective of any subsequent decision by the all-union parliament, the Supreme Soviet.

● Dun & Bradstreet, the US information group, said yesterday that it had signed a deal with Goskomstat, the Soviet Union's state committee on statistics, to disseminate the latter's data on Soviet businesses to the west, writes Nikki Tait in New York.

UK opposes maternity leave changes

By Lucy Kellaway in Strasbourg

BRITAIN yesterday opposed a European Commission proposal that would entitle women to 14 weeks of paid maternity leave on the grounds that it would discourage employers from hiring them.

The directive, if approved, would force most EC member states to improve the benefits given to pregnant women; Britain would have to make sweeping changes to what is one of the Community's least generous systems.

All pregnant women would have the right to 14 weeks' maternity leave on 80-100 per cent of their usual pay. They would be entitled to this benefit as long as they had worked for their employer since the start of their pregnancy.

In addition, they would have to take two weeks' compulsory leave before the birth; they would have full job protection during their pregnancy; and would not be obliged to do night work.

The rules would also allow prenatal care without loss of pay, and would prohibit pregnant women from being exposed to dangerous substances or conditions at work.

Mr Michael Howard, the UK Employment Secretary, said yesterday the proposal would "impose new burdens on employers and raise the cost of employing women. The result would be to make employers more reluctant to recruit women employees."

In Britain women are entitled to six weeks maternity leave at 90 per cent of their full pay and a further 12 weeks at a low fixed rate. They need to have worked with the same employer for about two years to qualify for any benefit.

The British Government has systematically opposed each of the social measures put forward under the Commissions social action programme so far. It is angry that this latest directive, like many of the others, has been presented on a legal basis that requires only majority support of member states.

The Commission has justified this on the grounds that the measure concerns health and safety. The UK argues that as most of the measure is actually focused on employment and pay, the correct legal basis requires majority backing.

Yugoslavian president proposes poll

By Laura Silber in Belgrade

THE president of Yugoslavia has entered the political fray over a new federal constitution to determine the future structure of Yugoslavia.

Mr Borisav Jovic, the president of the eight-member state presidency, proposed a national referendum on whether Yugoslavia should be a federation or confederation.

Serbia, Yugoslavia's biggest republic, favours preserving the country's federal structure. The western republics of Croatia and Slovenia advocate a "confederation," which would entail a flexible grouping of Yugoslavia's six republics based on mutual agreements.

"Everyone agrees that a new state constitution is necessary, but no one agrees which kind it should be," said Mr Jovic. "Some opt for a contemporary modern federation; others, primarily Croatia and Slovenia, see Yugoslavia only as a confederate union of independent state-republics."

Mr Jovic's call for a referendum comes amid the spread of ethnic unrest in the republic of Bosnia-Hercegovina which comprises Serbocroat-speaking Moslems (39 per cent), Serbs (32 per cent) and Croats (18 per cent).

In Foca, tensions between Serbs and Moslems surfaced at the weekend after a strike at Focatrans, a local transport company.

When Moslems returned to work, Serbs and Montenegrin Slavs called a general strike which spilled over into violence. On Wednesday, 132 Serbs in Foca declared a hunger-strike after police used tear gas and batons to disperse a demonstration.

● More than 30,000 people rallied in Belgrade against communism on Wednesday, Reuter adds from Belgrade. The demonstration was held in anticipation of the first free elections in Yugoslavia's largest republic, Serbia, expected in the first half of December.

A coalition of six major Serbian opposition parties, which called the rally, threatened to boycott the elections unless it was given at least three months to mount a campaign and a nightly quota of two hours on Belgrade television.

It also demanded a meeting with Serbia's communist leaders to work out election procedure. "If you do not accept our offer, you will run alone in your elections," the six parties said in an open letter to Serbian President Slobodan Milosevic, Serbia's President.

Final settlement for Germany at '2 plus 4' negotiations

FOLLOWING are excerpts from the "Treaty on the final settlement with respect to Germany" agreed yesterday in Moscow:

THE Federal Republic of Germany, the German Democratic Republic, the French Republic, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America...

Convinced that the unification of Germany as a state with definitive borders is a significant contribution to peace and stability in Europe...

Recognising that thereby, and with the unification of Germany as a democratic and peaceful state, the rights and responsibilities of the Four Powers relating to Berlin and to Germany as a whole lose their function...

Have agreed as follows:

ARTICLE 1

1. The united Germany shall comprise the territory of the Federal Republic of Germany, the German Democratic Republic and the whole of Berlin. Its external borders shall be the borders of the Federal Republic of Germany and the German Democratic Republic and shall be definitive from the date on which the present treaty comes into force. The confirmation of the definitive nature of the borders of the united Germany is an essential element of the peaceful order in Europe.

2. The united Germany and the Republic of Poland shall confirm the existing border between them in a treaty that is binding under international law.

3. The united Germany has no territorial claims whatsoever against other states and shall not assert any in the future.

4. The governments of the Federal Republic of Germany and the German Democratic Republic shall ensure that the constitution of the united Germany does not contain any provision incompatible with these principles...

5. The governments of the French Republic, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America take formal note of the corresponding commitments and declarations by the governments of the Federal Republic of Germany and the Germany Democratic Republic and declare that their implementation will confirm the definitive nature of the united Germany's borders.

> 'The united Germany has no territorial claims whatsoever against other states and shall not assert any in the future'

ARTICLE 2

The governments of the Federal Republic of Germany and the German Democratic Republic reaffirm their declaration that only peace will emanate from German soil. According to the constitution of the united Germany, acts tending to and undertaken with the intent to disturb the peaceful relations between nations, especially to prepare for aggressive war, are unconstitutional and a punishable offence...

ARTICLE 3

1. The governments of the Federal Republic of Germany and the German Democratic Republic reaffirm their renunciation of the manufacture and possession of and control over nuclear, biological and chemical weapons. They declare that the united Germany, too, will abide by these commitments. In particular, rights and obligations arising from the treaty on the non-proliferation of nuclear weapons of 1 July 1968 will continue to apply to the united Germany.

2. The Government of the Federal Republic of Germany, acting in full agreement with the Government of the German Democratic Republic, made the following statement on 30 August 1990 in Vienna at the negotiations on conventional armed forces in Europe:

The Government of the Federal Republic of Germany undertakes to reduce the personnel strength of the armed forces of the united Germany to 370,000 (ground, air and naval forces) within three to four years. This reduction will commence on the entry into force of the first CFE agreement. Within the scope of this overall ceiling no more than 345,000 will belong to the ground and air forces which, pursuant to the agreed mandate, alone are the subject of the negotiations on conventional armed forces in Europe.

The Federal Government regards its commitment to reduce ground and air forces as a significant German contribution to the reduction of conventional armed forces in Europe. It assumes that in follow-on negotiations the other participants in the negotiations, too, will render their contribution to enhancing security and stability in Europe, including measures to limit personnel strengths.

The Government of the German Democratic Republic has expressly associated itself with this statement..

ARTICLE 4

1. The governments of the Federal Republic of Germany, the German Democratic Republic and the Union of Soviet Socialist Republics state that the united Germany and the Union of Soviet Socialist Republics will settle by treaty the conditions for and the duration of the presence of Soviet armed forces on the territory of the present German Democratic Republic and of Berlin, as well as the conduct of the withdrawal of these armed forces which will be completed by the end of 1994...

ARTICLE 5

1. Until the completion of the withdrawal of the Soviet armed forces from the territory of the present German Democratic Republic and of Berlin in accordance with Article 4 of the present treaty, only German territorial defence units which are not integrated into the alliance structures to which German armed forces in the rest of German territory are assigned will be stationed in that territory as armed forces of the united Germany.

During that period and subject to the provisions of paragraph 2 of this article, armed forces of other states will not be stationed in that territory or carry out any other military activity there.

2. For the duration of the presence of Soviet armed forces in the territory of the present German Democratic Republic and of Berlin, armed forces of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America will, upon German request, remain stationed in Berlin by agreement to this effect between the Government of the united Germany and the governments of the states concerned...

> 'The governments of the Federal and Democratic Republics reaffirm that only peace shall emanate from German soil'

3. Following the completion of the withdrawal of the Soviet armed forces from the territory of the present German Democratic Republic and of Berlin, units of German armed forces assigned to military alliance structures in the same way as those in the rest of German territory may also be stationed in that part of Germany, but without nuclear weapon carriers. This does not apply to conventional weapon systems which may have other capabilities in addition to conventional ones but which in that part of Germany are equipped for a conventional role and designated only for such. Foreign armed forces and nuclear weapons or their carriers will not be stationed in that part of Germany or deployed there.

ARTICLE 6

The right of the united Germany to belong to alliances, with all the rights and responsibilities arising therefrom, shall not be affected by the present treaty.

ARTICLE 7

1. The French Republic, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America hereby terminate their rights and responsibilities relating to Berlin and to Germany as a whole. As a result, the corresponding, related quadripartite agreements, decisions and practices are terminated and all related Four Power institutions are dissolved.

2. The united Germany shall have accordingly full sovereignty over its internal and external affairs.

ARTICLE 8

1. The present treaty is subject to ratification or acceptance as soon as possible. On the German side it will be ratified by the united Germany. The treaty will therefore apply to the united Germany...

ARTICLE 9

The present treaty shall enter into force for the united Germany, the French Republic, the Union of Soviet Socialist Republics , the United Kingdom of Great Britain and Northern Ireland and the United States of America on the date of deposit of the last instrument of ratification or acceptance by these states...

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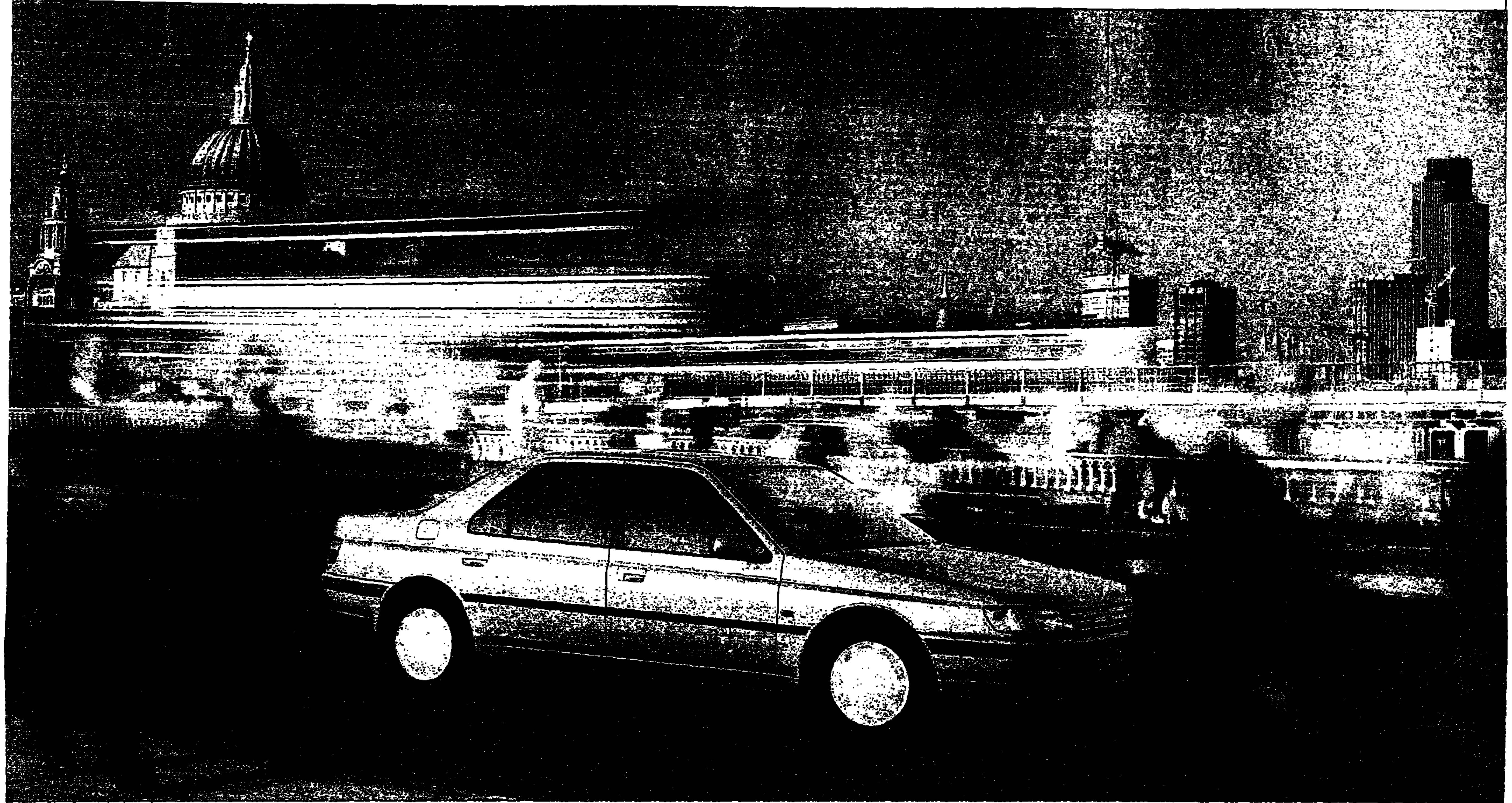

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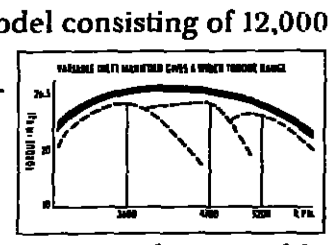

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THE LION GOES FROM STRENGTH TO STRENGTH

WORLD TRADE NEWS

Jaguar tries to leap the Korean tariffs wall

By John Ridding in Seoul

THE LAWN of the British embassy in Seoul yesterday provided the unusual venue for the launch of Jaguar cars in Korea.

A crane operator carefully winched a shining XJ6 over the garden wall, where it was pored over by hundreds of dignitaries.

Entering the Korean motor market is unlikely to be much easier. Tariffs and taxes double the cost of imported vehicles between port and showroom and foreign cars have captured less than 1 per cent of local car sales.

But the Korean market also represents a unique obstacle to importers of high-quality products such as Jaguars. Public campaigns against excessive consumption, particularly luxury imports, have soured the prospect for those hoping to exploit Korea's rising disposable incomes.

The resulting problems for exporters have provoked concern from trading partners. "One of our objectives in letting Jaguar use the embassy for their launch is to give a message to the Korean government that the type of campaign against so-called luxury imports which we saw earlier this year is not acceptable or sustainable," says Mr David Wright, UK ambassador.

Responsibility for the campaign is hard to pinpoint. Korean officials deny involvement and argue that the series of articles carried in the local press and actions by agents and importers to restrict high quality imports reflect a broader concern about tension between the haves and have-nots in Korea's fiercely egalitarian society and worries about the country's slower economic growth and deteriorating balance of payments.

Whatever the motivation, the effects have been clear. Outlets for foreign fashion companies such as Gucci and Burberry have been forced to close while several trading companies have stopped importing products ranging from refrigerators to golf clubs and chocolates.

Kia Motors, which imports the Mercury Stable, manufactured by Ford of the US, says sales have fallen sharply since the anti-import campaign from 250 to 100 a month.

According to one importer of foreign cars the biggest disincentive for prospective purchasers has been the near certainty of a tax audit.

That the market is difficult is readily accepted by Mr Sam Kim, managing director of Jaguars Korea. But he argues that Jaguar's entry into the Korean market is a long-term strategy and that attitudes to foreign cars will improve.

"The situation is similar to that of foreign cigarettes," he says. "When foreign brands started entering the market a few years ago no one wanted to be seen smoking them. But now it doesn't matter at all." Trading partners agree.

For the moment, however, Jaguar sales targets are modest. Mr Kim hopes to sell 20 cars in Korea by the end of the year and 40 in 1991. More important, he argues, is to create the right image for the product for long-term success.

"Jaguar has a very limited, very exclusive niche. We have to establish a strong brand name and target our customers through selective advertising," says Mr Kim.

There is certainly room for growth. Only 2,000 imported cars were sold in Korea in 1989 and the sharp increase in disposable incomes over recent years means that there are enough people who can afford won 60m (£45,000) for the cheapest Jaguar range

UK wins Indonesia rail contract

DAVY British Rail International (DBRI) has won a £31.5m track rehabilitation contract from the Indonesian State Railway, the largest single UK order to be financed under the bilateral concessional loan agreement signed by the two countries in 1988, writes Peter Montagnon, World Trade Editor.

Under the contract, funded entirely from a £100m soft loan, DBRI will provide engineering services and equipment to upgrade 150km of track between Cigading and Serpong in Java. This will facilitate transport of imported coal to Indonesia's large cement works at Cibinong.

DBRI said yesterday that it would not have won the order without the concessional loan. Despite the availability of concessional finance, which carries interest at 3.5 per cent and a maturity of 25 years, the flow of orders from Indonesia has traditionally been slow. This is one of only three UK deals won under the loan.

Airbus antagonists head for a showdown

Unless the aircraft subsidies row is settled soon, a new trade war may break out, writes **Paul Betts**

THE three year controversy between Europe and the US over government subsidies for the European Airbus consortium is about to reach make-or-break point. If the latest round of negotiations between Washington and Brussels fails to secure a compromise, Airbus could be the subject of a new trade war like those over cars, soya and pasta a few years ago.

During the last six months there were signs of substantial progress in the negotiations to revise the Agreement on Trade in Civil Aircraft under the General Agreement on Tariffs and Trade (Gatt). Mr Jean Pierson, the Airbus chairman, suggested last April in Toulouse that the two parties were getting closer. This summer, the US agreed to allow the deadline for the talks to slip from the end of July to the end of this month.

But as the deadline approaches, the dispute has suddenly flared up with some of the partners in the Airbus programme accusing Washington of seeking "the complete capitulation of Europe", while the US has revived the threat of filing a complaint to Gatt.

The US has long complained that European governments have distorted trade in civil aircraft by providing huge subsidies for Airbus. The Europeans have retorted that US commercial aircraft makers have benefited from as much if not more indirect government support through military R&D funding as well as direct support from civil government budgets like Nasa.

The current talks centre on the redrafting of two key articles in the Gatt civil aircraft agreement. The first, on which there now appears to be consensus, is a ban on government inducements to foreign countries to help sell aircraft. This has involved, for example, offering air traffic rights to a foreign national airline or the supply of other goods and services in exchange for a big aircraft order.

The second and more contentious article concerns subsidies. On this, the Europeans claim they have gone a long way in meeting US demands by agreeing to reduce government support for new aircraft programmes from 70 per cent to around 40-45 per cent. But the US insists on a cap of 25 per cent, which the Airbus partners have found unacceptable.

Moreover, the Europeans want more explicit language written into the new Gatt civil aircraft code on indirect government support for commercial aircraft programmes. The French and the West Germans are also pressing for some form of language in the revised code on exchange rates to enable the Airbus partners to hedge themselves against the US currency falling too far.

At the Farnborough Air Show last week, Mr Pierson claimed the Europeans had gone as far as they could. "We would rather have no agreement at all than one which is unbalanced. Enough is enough." Mr Henri Martre, chairman of the French Aerospatiale group with a 37.9 per cent stake in Airbus, said the low level of the dollar was distorting trade. And Mr Erich Riedl, the West German state secretary in charge of aerospace called on Airbus partners to examine all aspects of the dollar exchange problems facing the European aircraft programme.

The Europeans have since leaked an Airbus document claiming that the US government has provided about $23bn in identifiable direct and indirect support to Boeing and McDonnell Douglas through various governmental and quasi-governmental agencies over the last ten years. The Airbus study also ends with a sting by referring to testimony at Congressional hearings on the future of aviation in 1976 by Dr Aaron Gellman.

The president of Gellman Research Associates said then: "Because the overall benefits to society are so great from the retention of a favourable balance of payments, it is quite proper for the public sector to sponsor substantial R&D to support an implicit rational objective to lead in the field of aviation."

The Europeans argue that if Airbus had not been formed, the US would have enjoyed a monopoly in the large civil airliner market. Airbus also insists that breaking into the airliner market "in face of a totally dominant, firmly entrenched competitor takes determination, investment and a long term view. The costs, risks and timescale involved constitute such a barrier to new entrants that government support is mandatory".

At this stage, the biggest sticking point in the negotiations are the US objections to West German government support for Deutsche Airbus when the dollar drops below a certain level against the D-Mark. The US sees this as setting a potentially dangerous principle, and Washington is worried about an attempt by some Airbus partners to introduce for aircraft sales a currency support system similar to the EC's controversial system of monetary compensatory amounts for farm products.

The Germans retort that this state support is the only way of complying with an earlier American demand to transfer aircraft production to the private sector. Indeed, the Germans are in the front line of the debate because of all the Airbus partners they had to invest the most when they joined the programme. Unlike France and the UK, Germany had to rebuild virtually from zero its aerospace industry after the war.

Failure to secure an agreement on the Gatt civil aircraft code could jeopardise the chances of a successful resolution of the Uruguay Round of international trade talks at the end of this year. This, coupled with the fact that the US probably stands to lose from an aircraft trade war since it sells more to the Europeans than it buys from them, would appear to argue for a compromise in the Airbus dispute.

US officials scoff at European claims

By Nancy Dunne in Washington

MR MICHAEL FARREN, the US Commerce Under-Secretary for International Trade, last week acknowledged he was risking progress in the contentious US-EC talks over Airbus subsidies when he made public a consultants' report on the European consortium.

The report – by Gellman Research Associates – sent a message to US officials and industry which Mr Farren believed necessary: that an examination of even the sparse evidence publicly available, using the most conservative modelling possible, revealed such a big threat to US aircraft producers by Airbus that it could no longer be ignored.

Mr Farren said West Germany, the UK, France, and Spain had to be convinced to exercise "some degree of discipline" over aid to the Airbus companies, even if it meant bringing another quarrel to Gatt.

In its key findings, the report said:

- Although each new Airbus project had done better than its predecessor – none was likely to achieve commercial profitability in the next two decades.
- The success of the most recent Airbus projects – A320/A321 and A330/A340 – was largely due to the recent strong market for transport aircraft. However, with Airbus cash flows turning positive towards the mid-1990s, there was no reason to continue government support.
- Airbus would remain a force in the aircraft market because of the high political and social costs involved in reducing its activities and the small absolute costs to the governments – up to $1bn per year – of continuing support.
- The US industry, competing against aircraft sold below cost, would lose market share and profits, which would discourage the introduction of new advanced American aircraft. The US companies might be forced to seek foreign partners and to agree to significant technology transfers overseas.

The US government has been reluctant to threaten sanctions. According to Mr Farren, the negative impact of subsidies is often not clearly understood until too late for policymakers to reverse them.

The outcome of a Gatt case against the subsidies is by no means certain. While export subsidies are a clear violation of international trade rules, domestic subsidies are not. It is not clear at what point a domestic subsidy becomes an export subsidy.

However, if no agreement is reached by September 30, the US will ask a Gatt panel to condemn the currency guarantees given by West Germany to Deutsche Airbus on the grounds that they violate the industrial country agreement that exchange rates float freely. The contention is that Germany, with its large trade surplus, is not playing by the rules of the game if it subsidises a competitor of the country with the largest deficit.

The US has been reluctant to take the matter to Gatt as long as there has been hope of an overall solution. The EC argued that negotiations would be made more difficult by the case.

US industry, unions and government could follow an alternative course of filing a countervailing duty case with the Commerce Department and International Trade Commission. This would have an impact only on Airbus sales to the US, but that is 50 per cent of the world market.

American officials scoff at EC contentions that the US subsidises its own industry and insist that there is nothing comparable to the launch aid and production support provided to Airbus.

Although US companies profit from Pentagon contracts, these are conducted on an arms-length transaction basis and actually bring a lower rate of return than civil contracts. Besides, Airbus gets an even larger pay-off from EC government contracts, officials say.

Similarly, they dismiss the argument that the US companies benefit unfairly from space agency research and development. US companies join with government agencies on research projects, but European government laboratories work with Airbus too, officials say.

Research funded solely by the Nasa is available throughout the world and was in fact made use of by Airbus in the development of the A320's supercritical wing, they contend. Nasa wrote to Airbus requesting payment for its contribution and reportedly received a disparaging rejection.

VIABILITY OF AIRBUS PROGRAMMES

	Base Case Cash Flows ($m 1990)				
Programme	Launch Date	Units Delivered	Average Price	NPV* of Cash Flow	Nominal Cash Flow
A300†	1968	246	50.0	(7,854)	(15,426)‡
A300-600	1977	319	60.0	(5,868)	(12,899)‡
A310 ♦	1977	334	54.9		
A320	1983	886	32.0	(3,528)	(4,920)
A321	1989	409	41.0		
A330	1987	831	78.8	(3,701)	3,212
A340	1987	427	81.8		

* Net Present Value † Production ended 1986 ‡ Losses shown here result in part from expressing losses incurred in 1970s and 1980s at 1990 price levels ♦ Production assumed to end in 2002

Source: Gellman Research Associates

The net present value of the cash flow is the best single measure of a project's overall profitability. It shows the value, in 1990, of a project's stream of expenditures and receipts over time, after allowing for the opportunity cost of capital. According to this procedure, a receipt (or expenditure) in an earlier year is worth more (or costs more) in 1990 than would an equivalent sum in a subsequent year. The figures in column four thus represent Gellman's estimates of the losses on Airbus production which the European partners have had to cover by subsidies.

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UK NEWS

UK businesses face 10% rise in local taxation

By Philip Stephens, Political Editor

UK businesses face a rise in local taxation, or rates, of at least 10 per cent in April following a decision by the Government to reject demands that it should hold the increase in the uniform business rate (UBR) to below the rate of inflation.

Mr Chris Patten, the Environment Secretary, is also set to resist calls from local authorities for a radical overhaul of the system under which the Government distributes grants to councils.

The share-out of the grants has a significant impact on the level of per capita local taxes, or poll tax, in individual authorities and has been sharply criticised by Tory-controlled councils outside London.

Mr Patten's stance is backed strongly by the Treasury but will risk a renewed political row over both the UBR and the poll tax when parliament reassembles next month.

The legislation which replaced the old rating system with a combination of the poll tax and the UBR allows the Government to raise business rates each April by no more than the inflation rate during the previous September.

Next year's increase will be based on the annual change in the RPI this month – expected to be well over 10 per cent. Business lobbies, however, have been urging the Government to exercise its discretion to announce a much lower figure.

Their case, supported by a number of Conservative MPs, is that businesses, and particularly smaller enterprises, have already been badly hit by a re-rating of their premises.

The Confederation of British Industry repeated its view yesterday that the contribution being made by business to local authority budgets is already far in excess of the value of services they receive. Small business lobbies argue that their members are simultaneously facing a drastic squeeze on profits because of high interest rates.

The Treasury, however, wants the revenue from the full increase permitted under the legislation to offset the cost of a £3bn increase in its support for local authorities next year.

UK's third party launches new image for centre ground

By Philip Stephens, Political Editor

MR PADDY Ashdown, the Liberal Democrat leader, yesterday launched a campaign to rebuild his party's identity with the electorate in the run up to the general election with the promise of a "radical, reforming alternative to Thatcherism".

Launching the party's new logo – a futuristic "Bird of Liberty" – ahead of the Liberal Democrats annual conference in Blackpool next week, Mr Ashdown called on supporters to focus their energies on recapturing support in the centre ground of British politics.

Mr Ashdown voiced confidence that the final demise this year of Dr David Owen's SDP and settlement of a number of internal policy disputes within his own party had provided the opportunity for a significant revival in its fortunes.

The Liberal Democrats have been trailing badly in the opinion polls, with their support at around 10 per cent, though they have done significantly better in local government elections.

A thoughtful Paddy Ashdown at the launch of his party's new campaign in London

In a briefing for journalists at Westminster earlier this week, Mr Ashdown acknowledged that the party's image with the electorate had been severely tarnished by the disputes within now-defunct Alliance. He accepted also that the determined move by the Labour Party towards the centre had eroded support for the Liberal Democrats.

He insisted, however, that the collapse of the SDP and an apparent slump in support for the Greens, had left his party as "the clear, undisputed and powerful choice of the two old parties."

"Three-party politics is back because the people of Britain have insisted on a better choice", he added yesterday.

Much of next week's conference – which party organisers believe should be free of the bitter rows which have characterised previous gatherings – will be devoted to spelling out the Liberal Democrats new policies.

Mr Ashdown will emphasise that the party should draw on the policies of the old SDP for its economic strategy – opting for rigorous control of inflation alongside encouragement for enterprise, for markets and for small businesses.

His hopes of establishing the Liberal Democrats as a distinctive alternative to Labour and the Conservatives, however, are likely to rest more on policy statements covering the environment, education, constitutional reform and Europe.

The party leadership has adopted an aggressively "federalist" approach to European integration, while it can claim that it is alone among the mainstream parties in calling for electoral reform, specifically the introduction of proportional representation.

The conference will see much emphasis on the party's environment policy, which Mr Ashdown says will be both tougher and more realistic than the blueprints which the Government and Labour plan to publish later this week.

More broadly, however, many of his parliamentary colleagues privately doubt whether an undoubted improvement in morale within the party over the past few months can be translated into a surge in popular support.

Some believe that the best the party can hope for is to increase their share of support to around 15 per cent and, by careful targetting of their efforts during the next election campaign, to hold on to their existing parliamentary strength of 19 seats.

Communist Party redefines future role and votes to drop 'communist' from title

THE Communist Party of Great Britain has voted to drop the word "Communist" from its name, writes John Authers.

Ms Nina Temple, the party secretary, said: "This decision reflects the changes that have been taking place in Communist parties in Europe and the decline in our own support in Britain."

The party was founded in 1920, shortly after the Russian revolution. Membership has much declined in recent years and is now put at about 7,000.

Ms Temple said it was a meeting of congress, the party's governing body, next December to recommend a new name. Her own preference was "Radical Party." That would be submitted to a constitutional conference next spring.

Ms Temple did not expect that the transformed party would fight any seats at the next general election. "The next election will be about the need to remove the Thatcher Government. We want to help in that purpose in any way possible.

"We see no certainties in our future. But we feel we have values and traditions that are worth trying to save."

The new party will be a loose federation, abandoning the Bolshevik structure of the past. Another party member said that ideologically the party had split from Marxism-Leninism.

The new body would be "creative Marxist," including strands of feminism, green politics and humanism. It seeks to "empower people," and opposes the centralisation of power.

The party follows pluralist theories along the lines advocated by the magazine Marxism Today. It intends to work alongside Labour, the Greens (ecological group) and the Liberal Democrats.

OVERSEAS RESEARCH

Universities 'may drive' contracts out of UK

By Norma Cohen, Education Correspondent

UNIVERSITIES efforts to force industry to pay for the full cost of research overheads could drive private research contracts overseas, the Association of the British Pharmaceutical Industry warned yesterday.

Dr John Griffin, director of the Association, compared some UK universities to "Robin Hood", who sought to steal from wealthy private corporations in order to bail out their unprofitable academic departments that cannot generate research funds on their own. "If companies find themselves mistaken too often as the Sheriff of Nottingham and being robed by Robin Hood administrators, they are very likely to look abroad to where fairer principles may be applied," Dr Griffin said.

Dr Griffin's remarks come amid rising tension between universities and private industry over how much should be charged for research and how profits from intellectual properties should be shared. While government funding for universities was plentiful, institutions admit that they virtually gave away their research services, charging only for ancillary costs such as additional staff. But current government regulations now require universities to charge for ancillary staff, building maintenance, telephones and sundries.

Dr Griffin complained that now, some companies are being asked to pay as much as 140 per cent of direct overhead costs.

However, Dr David Thomas, chairman designate of the University Directors of Indsutrial Liaison and Pro Rector in charge of research contracts at Imperial College, dismissed Dr Griffin's charges as nonsense. "Treasury rules when we work with industry are quite clear – we are not part of the welfare state. We have to charge industry what it costs." He said that his instutution regularly asks industry to pay for 120 per cent of overhead costs "and we're still losing money."

"If they want to go abroad, let them," he said, adding that in some countries, such as the US, university research costs are likely to be even higher.

Dr Thomas said that university-based research is still cheaper than industry-based research, with industry overheads generally at 250 to 400 per cent of costs. British companies are more reluctant than foreign ones to agree to pay the full costs of research, partly because they had been receiving services for so long for virtually no charge at all.

HOUSE OF LORDS EC COMMITTEE

Law proposed to regulate worker training for teenagers

By John Mason

COMPANIES should be compelled by law to provide all 16-18 year old employees with training leading to a recognised qualification, a cross-party House of Lords Committee said yesterday.

It also called for increased spending on training, despite Government opposition to European Community measures which add to employment costs.

In a report on vocational training the Lords Select Committee on the European Communities said a long history of failure marked the voluntary approach to training in the UK. Fresh legislation should start by increasing training opportunities for young people.

The committee welcomed the training credits system being piloted by Training and Enterprise Councils and said it could be extended to provide the universality needed. However, it still allowed employers and employees to agree not to provide the expected training. Fresh legislation should therefore be introduced to oblige employers to provide appropriate training.

Such a measure would guarantee training or education to all 16-18 year olds and give them a grounding along the lines operating in West Germany and France.

The committee also called for a substantial increase in the quality and quantity of training in the UK to bridge the skills gap between Britain and its competitor countries.

The experience of Britain's main industrial competitors demonstrated that effectively managed vocational training should be viewed as an investment rather than a cost.

Unless the commitment to training was increased there was a severe risk of a steady and accelerating relative decline in the British economy, the report said. The committee called for this to be based on a national strategic framework for training, agreed by both sides of industry.

This would analyse future training requirements, set targets for improving training performance, establish a single system of vocational qualifications, propose new means of monitoring training quality and improve access to training, especially for women re-entering the labour market.

● John MacGregor, the Education Secretary, called on polytechnics to expand their enrolment still further, rejecting claims that government spending cuts have harmed the quality of education.

He said that polytechnics could be even more efficient than they already were without harming quality if they use existing resources creatively.

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UK NEWS

Old Bailey trial hears charges of corporate manslaughter

Zeebrugge disaster jury told of 'gross negligence'

Financial Times Reporter

P&O European Ferries and seven of its former employees were guilty of "gross negligence" which caused the Zeebrugge disaster, in which 192 people died, the Old Bailey was told yesterday.

The company, three officials and four crew members all deny a specimen manslaughter charge arising from the tragedy on March 6, 1987, when the ferry Herald of Free Enterprise capsized less than a mile from Zeebrugge harbour on its way to Dover with 454 passengers and 80 crew on board.

Charges contained in a 12-page indictment centre on the "obvious and serious risk" posed by sailing with the bow doors open and the alleged reasons why they were not closed.

Opening the prosecution case, Mr David Jeffreys, QC, told the jury of 10 men and two women: "It hardly needs to be said that once she sailed with those doors open, the almost inevitable consequence was at least personal injury and, of course in reality, death. The Crown's case is that the capsize was avoidable. We contend that this is a case of manslaughter – the unintentional killing of another person by gross negligence.

"The Crown's case is that each of the defendants who you are trying is responsible in law for the deaths that occurred."

The Herald was owned by Townsend Car Ferries which, in January 1987 was taken over by P&O. After the disaster, Townsend's name was changed to P&O European Ferries.

Mr Jeffreys said that in law, a company may be guilty of a criminal offence but only through the conduct of people acting on its behalf. These people, who must hold responsible positions, were described in law as "the directing mind and will of the company".

They could not be mere employees but had to have a degree of independence and autonomy to act on their own without having to seek superior instructions or approval.

It was alleged that Mr Wallace Ayers, the company's technical director, Mr Jeffrey Develin, the chief marine superintendent, Mr John Alcindor, his deputy, Mr John Kirby, the senior master, and, in certain respects Mr David Lewry – in particular in his ability to issue orders and instructions on his ship – fell into this category.

Mr Jeffreys told the jury: "The guilt of the company can only be established through its directing minds or one of its controlling officers. Hence, if you find that some one of those mentioned must have committed an offence of manslaughter in the capacity of a person directing or managing the company, then the company likewise should be found guilty of manslaughter." P&O European Ferries is only the second company to face a charge of corporate manslaughter.

Mr Jeffreys said Mr Ayers had failed to order the installation on vessels in the fleet of bridge indicator lights showing whether the bow doors were open or closed, "and in particular failed to respond to two requests for indicator lights on the bridges of ships."

Of Mr Develin, the chief marine superintendent, he said: "The orders in force which were supposed to be followed on board ship were unclear and inadequate. Communications between ship and shore were inadequate."

He said Mr Alcindor had done nothing to implement the suggestions that warning lights be installed on the bridge to show whether the bow doors were open or closed.

Mr Jeffreys said Mr Kirby, although not on board, was responsible "for orders, instructions and the safe operation of the ship which went to sea with her bow doors open".

Of the other people mentioned in the indictment, he said Mr Mark Stanley, the assistant bosun, had not carried out his job of closing the Herald's bow doors "because he was asleep in his cabin," and it had been the duty of Mr Leslie Sable, the chief officer, to supervise the closing of the bow doors. The case continues.

BRITAIN IN BRIEF

Economic growth rate halved

The growth rate of the economy has halved since 1988 while its inflation outlook has deteriorated, according to the Central Statistical Office.

In the Blue Book, its detailed annual portrait of the British economy, the CSO confirmed that gross domestic product in 1989 – the volume of goods and services produced in the UK – grew by 2 per cent, against a growth rate of 4.5 per cent in 1988.

● Surplus on invisible trade between April and June all but vanished, according to government figures. They indicate that the UK's current-account deficit is significantly worse than previously thought.

Plans for public sector land

Mr Michael Spicer, planning minister, set out proposals to encourage development of disused public sector land. The plans would force public groups in England and Wales to improve their registration of vacant land in an effort to make it more readily identifiable to potential developers.

"Our proposals are based on our view that extra pressure needs to be put on holders of public sector vacant land which will release more land for building and house building in particular," said Mr Spicer.

The proposals would bolster legislation passed in 1980 which set up a register of unused and underused land belonging to public sector bodies, such as local authorities or nationalised industries. Since then 80,000 acres of land has been sold, leaving 83,000 acres of land remaining on the register.

Investment to be spread

Water companies are likely to be allowed to spread the cost of big capital projects in stages under proposals disclosed by Ofwat, the industry's economic regulator.

The aim of the plan, announced by Mr Ian Byatt, Director General of Water Services, is to reduce uncertainty and facilitate the orderly planning and management of capital investment, which will amount to more than £26bn over the next decade.

Accountants' green audit

Cooper & Lybrand Deloitte, the UK accounting group, launched a programme to include an environmental audit and a review of how well potential risks are managed as part of its annual report on company accounts.

A Gallup survey commissioned by Coopers Deloitte this month showed that 56 per cent of UK companies do not have formal environment policies and only slightly more than half have given detailed board consideration to environmental issues.

Prudential profits ahead

Prudential Corporation, the UK's biggest life insurer, recorded profits of £126.7m, for the half year ending 30 June, somewhat above analysts expectations. Losses in Prudential's general insurance business, which accounts for less than 20% of the group's total premium income, were largely responsible.

Although the poor performance of general insurance operations is the most eye-catching feature of the interim results, a possible slowing down in the rise of life insurance profits after over a decade of steady, seemingly relentless growth is more significant.

The depressed state of equity markets has adversely affected the investment outlook.

BBC to cut 1,400 jobs

The BBC announced that it will cut 1,400 jobs in the first phase of plans to save £75m a year by 1993.

It is the first time that Mr Michael Checkland, the BBC director general has put a precise number of the jobs being lost as a result of cost cutting.

The jobs which will be lost are mostly in support services such as cleaning, security and catering. These are areas to be privatised.

Sophia Loren launches cruise new liner

Europe's newest and largest cruise ship, the P&O liner Crown Princess, arrived at Southampton enroute for New York to be officially christened by actress Sophia Loren.

The 70,000-ton, 800-foot liner was built in Italy to a revolutionary design by Renzo Piano, who helped create the Pompidou Centre in Paris.

RAF pilot killed as jet crashes off Scottish coast

An RAF pilot was feared dead after his Jaguar jet crashed into the sea off south-west Scotland. The aircraft was from RAF Coltishall in Norfolk and happened just before 11am. An RAF spokesman said the circumstances of the crash were not known, but the aircraft was not armed. The Solway Firth area between Scotland and Cumbria is used extensively for low-flying exercises. Four RAF jets have been lost in accidents in the last month. A MoD spokesman confirmed later that the body of the pilot, who was based at RAF Coltishall, had been recovered.

Investors concerned over lack of power sell-off information

By David Thomas, Resources Editor

MANY institutional investors are increasingly concerned about the lack of independent information about the electricity companies which are to be sold in the biggest and most complex privatisation yet.

Their concern about the tight control on information emerged yesterday as the Government launched the marketing campaign for the 12 regional electricity companies, which are due to be sold in late November.

Government advisers said that the Gulf crisis would not interrupt the privatisation plans. Electricity privatisation has proved to be particularly fraught, but has been rescued this year by Mr John Wakeham, Energy Secretary.

However, Government advisers also accept that the Gulf crisis could knock 10 per cent off previous estimates of the flotation price, reducing the equity proceeds from the 12 companies to about £4.5bn. Mr Frank Dobson, Labour's energy spokesman, accused the Government of preparing to sell the industry for a third of its true value.

Concern among institutional investors about controls on information is likely to be exacerbated by the disclosure of confidential guidelines on how to communicate with City of London analysts and the media. The guidelines were sent to the electricity companies by Dewe Rogerson, the City public relations firm in charge of marketing the sale.

The guidelines advise electricity companies to "head off questions that are too detailed (or difficult!)"; to be "positive in your attitide towards the new contractual and regulatory regime, and the regulator. Do not focus on areas of particular concern"; and not to "get caught up with commenting on the wider political implications and policy issues of privatisation."

A majority of leading investment institutions contacted yesterday by the FT complained of insufficient, unsupervised contact with the electricity companies. "They have tended to be gagged. They have told us that they can only meet us with the Government broker," one institution said.

The institutions are also concerned about the scarcity of independent analysts covering the industry.

Some institutions questioned the suggestion that the controls are required by the Financial Services Act. "I think it's an excuse. They hope that all the companies will be equally attractive and equally subscribed and that we will find out their differences only after privatisation," one fund manager said.

Dewe Rogerson said last night that its guidelines either reflected the Financial Services Act or were common sense.

Mr David Clementi, director of Kleinwort Benson, financial advisers to the Governemnt, said that "a healthy debate has already started on the merits of the companies as investment opportunities."

He was speaking on the announcement of the first broad details about the sale of the 12 regional electricty companies.

The 12 companies will be floated with a common price in November. Publication of the pathfinder prospectus is likely to be on November 2, impact day on November 21, closure of the offer on December 5 and first dealing on December 11.

Individual shareholders will be offered incentives if they register with the electricity share information office and buy shares in their local company. Incentives are likely to take the form of discounts on electricity bills worth about 8 per cent of the minimum investment.

Overseas investors are likely to be offered up to a quarter of the shares in the companies, although the exact amount will probably be set in late October after initial indications of UK interest.

Management, Page 12

Fast food outlets found to be prone to accidents

By Diane Summers, Labour Staff

YOUNG workers in fast food outlets are particularly vulnerable to accidents, a study of the catering industry conducted by the Health and Safety Commission has found.

The high staff turnover of young people in hamburger bars, fish and chip shops and similar fast food outlets means special attention needs to be paid to the training and supervision of young people from the moment they start work, the HSC warns.

Almost 20 per cent of 855 reported kitchen accidents happened in the rapidly expanding fast food establishments. The catering industry overall employs about 776,000 people.

The analysis, which shows young workers are over 50 per cent more likely to have accident more likely to have accidents than their older colleagues, forms part of a wider study of accidents in service industries published yesterday.

Overall, there was a total of 21,800 accidents and 34 fatalities reported in the service sector – an 8 per cent increase over the previous year. According to the HSC all the fatalities were preventable and were mainly caused by failures in safe systems of work.

Retail was the most hazardeus environment, followed by wholesale, consumer/personal service, hotel and catering, and, finally, office. However, looking at trends, the greatest increase in serious accidents over the last three years has been in catering, with major accidents up by over 50 per cent.

Accidents in the Service Industries, free from HSE Statistical Services, Room 6, Magdalen House, Stanley Precinct, Bootle, Merseyside L20 3QZ.

MANAGEMENT: Marketing and Advertising

A monster campaign to sell electricity

David Thomas reports on Frank's efforts to outdo Sid

Prepare yourself for a new figure in the stock of characters regularly used by cartoonists, leader writers, politicians and sundry other commentators. Frank is about to join Sid in the common parlance of late twentieth century capitalism.

That, at least, is the hope of the small army of people paid to sell the electricity industry, the biggest and most complex of the Government's privatisations to date. Frank made his debut on television screens yesterday. He is set to become a prominent feature of prime-time viewing as the late November target date for selling the 12 regional electricity companies in England and Wales approaches.

Friends of the Earth, a vociferous opponent of electricity privatisation, had fun yesterday dragging up quotes from Mary Shelley, creator of the Frankenstein story.

Unsurprisingly, the Frank who will sell electricity is only distantly related to Shelley's creation. More Munster than Hammer horror, Frank, the archetypal electricity user, is intended by his creators to be big, bolted and lovable.

Frank will spearhead a marketing campaign that will have two dimensions. It will be partly local. The television adverts will tell viewers the names and details of their local electricity company; where ITV regions straddle electricity company borders, up to three local companies will be featured in each ad.

Next week, electricity company chairmen will write to all their customers giving details of how to register with the share information office.

Incentives – almost certainly in the form of discounts on electricity bills – will encourage individuals to buy shares in their local companies. The flotation prospectus will highlight an individual's local company, although everyone will also be sent brief details on the other 11 concerns heading for the stock market. This approach will build on the high awareness levels which people have of their local electricity company.

At the same time, the marketing exercise will be heavily centralised. A common set of adverts, featuring Frank, will be used throughout the country. It is thought that any other approach – involving, for example, separate campaigns for each company – would result in utter confusion.

If all this sounds familiar, then it should. It has been masterminded by Dewe Rogerson, the marketing and communications group which has made its name out of privatisation. British Telecom, the water companies, British Gas, BP, British Steel, Britoil and TSB are among the Government sales to have passed through its hands. Dewe Rogerson feels sufficiently confident of its track record to take total control of the marketing of electricity, even to the point of stipulating that none of the advertising agencies involved in the campaign must speak to outsiders.

Last year's flotation of the 10 water companies is the model for electricity privatisation. Not only was it the first simultaneous privatisation of a group of regionally based concerns, it was also a complex sale which had to overcome a high degree of initial scepticism among the general public. "Water was in a sense the pathfinder for electricity," says Tony Carlisle, Dewe Rogerson's chief executive.

Carlisle says that the water model needs only to be fine-tuned. Indeed, he argues that electricity starts with some advantages over water; the public already regards electricity as an industry and a business, rather than a public service, and as a relatively modern and efficient business to boot.

If Dewe Rogerson is wrong on this score, then it is too late to do much about it. A drive to improve electricity's corporate image has been part of the run-up to privatisation. But that phase is broadly over; Frank will take the marketing of electricity onto a different plane.

Frank has to convey three main messages. The 12 regional electricity companies are to be sold on a date to be announced. Everyone can buy shares in them. And these are the actions which people must take to acquire the shares. The information may appear simple, but Frank has to ensure that it is understood by almost the entire adult population in England and Wales.

Response rates were high in previous privatisations; approximately 4.5m people applied for British Gas shares, 2.7m for water and 2.3m for British Telecom. Dewe Rogerson will not disclose its hopes about where electricity will fall in this spectrum. But it plans to foster awareness among more than 90 per cent of the population – an extraordinarily high target for most advertising campaigns. "We will be judged by whether Acacia Avenue, as well as Park Lane, knows to ring the share information office or respond to the (regional electricity company's) letter," Carlisle says.

The Frank campaign, devised by the WCRS advertising agency, is designed to communicate these messages in two ways. First, it aims to establish widespread popular identification with Frank and his companions – Frank's vampy wife, his dog with bolt-on head and his trusty servant, Igor. It then intends to use these characters to convey the information people will need to buy the shares.

There is a fine line between using Frank to convey the message and Frank becoming the message. In retrospect, there is some dissatisfaction on this score with Sid, the character who spearheaded the British Gas sale. Polls towards the end of the Sid campaign suggest that more people knew about Sid than had grasped the information he was supposed to impart.

Partly to avoid this problem, WCRS has devised a large number of short, sharp ads, each designed to disseminate a single piece of information.

Conscious of the attacks which will be launched on the effort by privatisation opponents, Tony Carlisle says that this approach also has the virtue of economy. He estimates the total spend on advertising space for the 12 regional companies to be £17-£18m, compared with £19.5m for water.

Dewe Rogerson acknowledges, however, that Frank can convey only one part of the message – the details of the sale. The other aspect is whether the issue is worth buying; here the common perception that the Government will have to under-price the stock issue will come into play. Whether first day premiums for electricity will average 45 per cent, as they did with water, is another matter; for that, watch the markets – and Saddam Hussein.

'The youth market is not dying'

David Churchill reports on the various opportunities within the sector

Fashionable marketing wisdom at the start of the 1990s seems increasingly directed towards the more mature consumer with higher disposable income and away from the influence of the young who, because of demographic changes, will be markedly fewer in number during the decade ahead.

Yet some marketing experts believe that in the general enthusiasm to target "grey" consumers, companies may forget that the 16 to 24 age group will still account for some 14 per cent – or 6.4m – of the adult population by the turn of the century.

"The youth market is not dying as current wisdom would have it," asserts the Henley Centre for Forecasting, the market research group, in its latest look at the future of leisure markets. "In fact we think it will be in good health in the 1990s."

While admitting that there will be some 3 per cent fewer 16 to 24 year olds by the end of the decade than at its beginning, Henley points out that the young consumers of the 1990s will be far more attractive as far as marketers are concerned than their counterparts of the past decade.

"As opposed to the late 1970s and 1980s when the unemployment rate was highest among 16 to 24 year olds, in the 1990s it is likely that unemployment levels will be low for this age group; employers will have to offer higher wages in order to keep their staff," it says.

The youth market, moreover, is less vulnerable to fluctuating interest rates. Its members are less likely to have mortgages than the 25 to 54 age group hard-hit by current high mortgage rates; they also have less savings in comparison with the 55-plus age group and therefore disposable income is relatively unaffected by decreases in interest rates.

"Thus most of the members of the 16 to 24 age group will have money, security of employment or future employment if in further education and the freedom to spend their money as they wish," concludes Henley.

The market researchers believe that one important aspect of the 16 to 24 age group often overlooked is how much leisure time these consumers have – and what they do with it. Based on a survey of how consumers spend their time, Henley not surprisingly found that the 16 to 24 year olds were not one homogeneous group but broadly split into two categories at the age of 20.

"These are classically years of great change," it points out. "Years of movement from dependence to independence, irresponsibility to responsibility and economic inactivity to activity."

The main conclusion reached by Henley's analysis was that the over-20s had less time for leisure than the 16 to 20s. This was apparently because the older group spent more time on household chores, since many will have left home by this time. The 16 to 19 year olds, as a result, had an average 14.4 hours more leisure time a week.

But the over-20s, Henley points out, have more disposable income arising from being in work and earning more than their younger counterparts.

The result in marketing terms is that the 20 to 24 year olds spend less time on the cheaper, time-intensive activities such as watching television and listening to records than do the under-20s. But the over-20s spend more time on such areas as car maintenance and home improvements, reflecting their greater affluence in actually owning a car or a home.

Henley's research also found that while going to a pub was generally more popular with the over-20s, the 16 to 20 group actually visited pubs more frequently than their older counterparts, despite the fact that it is illegal for the 16 - 18 year olds to consume alcohol.

The younger end of this market also were more likely to go to the cinema or a disco than the over-20s. But as this group grew older, the greater was the propensity to participate in more sociable and expensive leisure pursuits, such as eating out.

Leisure Futures, Henley Centre for Forecasting, 2 Tudor Street, London, EC4Y 0AA. £925 per year.

The world loves Coke — official

The writer Tom Wolfe once said that, rather than bomb Vietnam, the US should have seduced its way to victory by showering the country with all-American goodies, such as Coca-Cola.

That was nearly 20 years ago. But the potency of Coca-Cola is just as strong today. Coke has just emerged as the world's most powerful brand in the latest Imagepower study by Landor Associates, the design and product development consultancy.

While Coca-Cola was the clear leader, Sony, the Japanese electronics group, came a close second. The Imagepower survey analyses the power of particular products by assessing which are the best known and most admired brands in different countries.

Coca-Cola and Sony were the only brands to appear in the top 100 in every country surveyed and to be ranked among the top 50 in the three main markets of the US, Europe and Japan. Coca-Cola emerged as the best known. It achieved comparatively high ranking in every country, whereas Sony, despite emerging as the most admired brand, was weaker in some markets.

Sony is only one of a number of Japanese brands to have performed well in the study. Traditionally the most prominent international brands have almost all been American. This is still largely the case, but Japanese brands – which were virtually unknown in the West until the 1960s – are now becoming serious competitors.

Two Japanese names – Sony and Toyota – appear among the ten most powerful brands worldwide. Honda, Panasonic and Canon also fared well overall. Moreover, the high quality of Japanese electronic products and the panache of its new sports cars and luxury saloons mean that Japanese brands are both well recognised and highly esteemed by consumers.

The only European brands to appear in the worldwide top ten were Mercedes Benz of West Germany and Nestlé of Switzerland. All the other top ten worldwide brands – Coca-Cola, Kodak, Disney, McDonalds, IBM and Pepsi-Cola – were American. Other powerful US brand names included Levi, together with Nike and Reebok sports shoes.

Perhaps predictably each country or region tended to recognise and rate its own. Every one of the 20 most powerful brands in the US were American. Similarly, all but two of the ten leading brands in Japan were Japanese.

The exceptions, Mercedes Benz of West Germany and Rolls-Royce of the UK, reflect the Japanese enthusiasm for European luxury goods.

The Europeans also opted for their own brand names, although Coke and Sony were the top two brands across Europe. The West Germans patriotically chose Mercedes as their single most powerful brand. The Swedes voted for Volvo, while the British played safe with Marks and Spencer.

**The survey is available from Landor Europe at 3 Hill Street, London W1X 7FA.*

Alice Rawsthorn

TECHNOLOGY

Computers go tube spotting

By Della Bradshaw

SQUASHING into one of London Underground's tube trains during the rush hour may make commuters feel that the proverbial sardine had an easy life. But as the crowds of people using the underground system continue to grow, so too do worries about safety – a worry compounded by the King's Cross fire in 1987.

To help prevent the recurrence of such a tragedy, London Underground is turning to computer-based monitoring systems, which could be installed in all of its stations over the next few years.

A trial system is now in operation in Green Park, which was selected for the trial because it is one of the Underground's 10 most complex stations, says Doug Wilson, Engineering Information Manager for London Underground.

The station has three interchanges and more underground tunnels than any other. About 40,000 people use Green Park every day, and there are two to three daily incidents – a passenger being taken ill, say, or robbed.

The system in Green Park centres around twin computer screens, installed by Intergraph, the digital mapping specialists. On the screens can be displayed historical data and live video pictures.

On the right-hand screen is a schematic map of the station, showing the underground walkways, escalators and platforms. Specific areas can be highlighted, and zoomed in on, using a mouse. The diagram can show such things as which escalators are moving – and in which direction – and whether the electronic gates are letting people into the station or out. Information is sent to the screen by sensors built into the equipment.

A column on the screen is linked electronically to the dot matrix indicator boards on the station platforms. As the passengers on the platform are updated on the arrival time of the next train, so is the controller in the office.

The left-hand screen displays ordnance survey maps with the location of the station overprinted in relation to the main utilities, so that in an emergency the Underground staff, fire brigade and police could easily launch an evacuation or rescue bid.

In addition, the screen can switch to moving video pictures of any of the station platforms. If a passenger presses the emergency button on the platform the video cameras on the station record the scene automatically.

A terminal which can display the same information is also installed in the office of the line controller in charge of the station and in London Underground's central control centre. London's fire brigade is also being linked via a data line, so that in the case of a fire they can call up the live video pictures plus the digitised maps without leaving their headquarters.

With the full-scale system the police will also have a terminal installed, but the £600,000 budget for the trial system meant this was not feasible, says Wilton. The first operational system will probably be in Bank station in 1991.

The package also gives the station staff more information about what is happening in the station, says Munir Sadikot, duty station manager. The combination of the video film and the information on the arrival boards enables them to judge how many people should be allowed into the station while maintaining safety levels. If a platform is crowded and the next train is not expected for several minutes, the staff might limit the number of barriers allowing travellers into the station. Re-directing the escalators to carry people away from the platform helps to avoid the crush when a full train arrives.

The system's potential will take time to exploit fully, says Wilton. One future application involves transmitting information from the newer tube trains which use air bag suspension systems. This suspension can gauge how many people are on the train, and the information sent to stations along the line. The station controller would then be able to tell when the next train is due and how crowded it is.

David Fishlock on why scientists believe the EC must continue research in thermonuclear fusion

Looking for a safe reaction

A review of the future of controlled thermonuclear fusion – the harnessing of H-bomb reactions – prepared for the EC Commission will cause considerable disquiet within the British Government.

This independent critique, by senior scientists not involved with the research, has proved remarkably supportive of a particularly expensive research activity, at a time when the Government hoped it might cut back on very long-term investment. The scientists want the EC to keep fusion at high priority in its research strategy.

The European Communities are spending about Ecu 450m (£300m) a year on the science of fusion. The goal is to demonstrate that nuclear reactions in which light atoms such as helium and hydrogen are fused can be controlled, so that they release energy steadily instead of explosively, in order to generate electricity.

The science is known as plasma physics – understanding the behaviour of gases so hot they have cracked into nebulous cocktails of electrified atomic fragments called plasmas. Such conditions are responsible for the heat and light of the sun. On earth, whenever such a plasma touches its surroundings, it dumps all its energy and disappears, leaving only the kind of scars left by lightning.

For nearly half a century plasma physics has held promise of a new source of energy, of almost inexhaustible supply because the fuels needed are so abundant. The problem was – and still is – how to keep a fusion reaction running safely, so that it yields a steady flow of heat.

Apparatus intended to create and sustain the right conditions grew bigger and more complex as the scientists wrestled with these plasmas. The Joint European Torus (JET), focus of the European Fusion Programme, at Culham near Oxford, is a machine weighing tonnes, which generates plasma in a doughnut-shaped torus six metres across. The overriding aim of the scientists is to stop plasma ever touching this vessel's wall.

The European fusion programme is one of four worldwide, the others being in the US, the Soviet Union and Japan. The financial commitment last year totalled about £1bn, and occupied 6,400 scientists and engineers.

Europe started up JET in 1983, with the intention of completing its research programme by 1990. It has been reprieved until 1992, and is seeking a further extension to 1996, after which it would be abandoned. Whether to grant this, and what to do next, were among the questions addressed in the report by Umberto Colombo, chairman of ENEA, the Italian energy research commission, and his team of scientists.

They endorse the programme's objective – "nuclear fusion has a great potential for the future of mankind" – but reckon that as an energy source it is 50 years away. They advocate moving towards this goal in three giant strides – 15-year steps, each focused on another big apparatus like JET. These are Next Step (an experimental fusion reactor), Demo (a demonstration reactor), and the prototype commercial fusion reactor. The cost of the first two steps alone, with the first fusion electricity from Demo around 2025, is put at Ecu 30bn, rising to Ecu 50bn by 2050.

They conclude that, through JET, Europe is closer to the goal than any of the other countries' programmes; and that a great part of the success is attributable to the EC's R&D organisation of 12 national associations uniting under Euratom. As for JET itself, they believe the project can yield more data for designing Next Step, so they want its life extended to 1996.

This last point could be crucial in coming political discussions. Tritium injection will make JET radioactive for the first time. The present British Government has argued lately that because fusion power is so far away the scientists should abandon plans to use tritium.

The Next Step machine, says Colombo's team, must be designed to reach ignition and sustain long burn times. It must solve all outstanding problems of plasma physics and plasma technology – and these are severe enough to make the experts themselves say only that they are "90 per cent certain" of solving them.

Colombo's team looked at Europe's two options for Next Step: either the Next European Torus (Net) or the International Thermonuclear Experimental Reactor (Inter), a concept produced by all four fusion programmes. Both plans envisage a torus twice the diameter of JET's, containing seven times as much plasma.

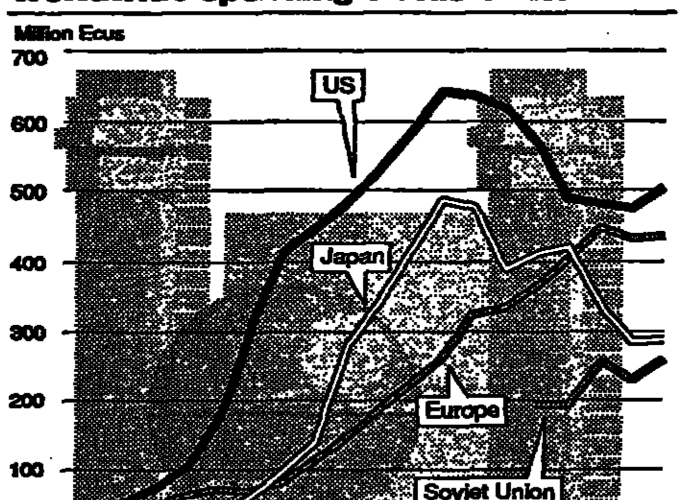
They prefer Inter because it will spread the considerable costs more widely, and also for what it could achieve in terms of wider international collaboration. But they stress that Europe must be fully committed not just to Inter but to all three steps leading to a commercial reactor.

Environmental and safety aspects of a commercial fusion reactor should take high priority in the future programme. The team also insists that European industry be brought into a programme which so far has been managed exclusively by fusion physicists. All the technologies crucial to fusion must be made available in Europe so it is essential for companies to get experience in making and testing the novel parts. They also advocate a more industry-oriented project management.

They see no need yet for Europe to be spending more than at present, and recommend that the current level of 450m Ecu annually be maintained for the next five years. But they call for a further evaluation no later than 1995 to weigh progress and justify any case for a big increase to pay for Next Step. The European Net project is envisaged as needing 700m Ecu annually from the end of the century.

Fusion physicists are now holding their breath while the review is scrutinised by Europe's Council of Ministers. Its advice for the politicians is clear and unequivocal about last year's claims of "cold fusion". It finds no evidence that cold fusion will lead to a new source of energy and states that it should not be funded from Europe's fusion programme.

Worldwide spending on fusion R&D



Source: EC Commission

Data encryption a new munition

By Alan Cane and Louise Kehoe

ROWS are developing on both sides of the Atlantic over technologies used to encode information in computer and data communications systems to render it safe from eavesdroppers and wrongdoers.

The disputes concern:

- The freedom with which the coding – or encryption – techniques can be exported from one country to another.
- The effect which the adoption of common encryption standards by one group of countries will have on imports of computers manufactured outside the group.

International Business Machines last week launched a new design of mainframe computer, the System/390. Among the chief selling points of the new range was built-in encryption. IBM now admits that UK and US Government restrictions on the export of sensitive technologies including encryption methods means that the encryption option will only be available in the UK to special classes of user – financial institutions, some subsidiaries of US companies and government departments.

The IBM technology involved uses special software – the Data Encryption Standard or DES algorithm – which can be embedded in a silicon chip to provide built-in data encryption. IBM's problem in exporting the technique with its new range is the latest example of the difficulty European companies have had in obtaining licences to ship and use DES chips from the US.

US security experts complain that the interests of computer manufacturers are being sacrificed to those of the intelligence community. "Cryptographic systems are included on the munitions list," explains James Bidzos, president of RSA Data Security, which has developed a widely used encryption method. "We are treated like arms dealers."

US export licence applications for data encryption systems do not go through the usual US Government channels (Commerce or in sensitive cases Defence Department). Instead, they are individually scrutinised by the US State Department's Office of Munitions Control and the National Security Agency, an intelligence agency, which has final veto power. The process can take months or even years, and there is no right of appeal.

The UK Government is also unwilling to see the DES algorithm used widely. In at least one case, according to IBM officials, the UK Government has blocked the sale of one of its new mainframes to a UK customer despite prior approval from the US authorities.

Europe is, in any case, beginning to develop its own standards of computer security. The most widely accepted set of criteria for computer security is the US-developed Orange Book, which defines levels of security in terms of grades – A, B1, B2 and so on.

European computer manufacturers, however, believe that the Orange Book is too closely identified with military interests and offers the business user an inflexible pattern. As a consequence, over the past two years France, Holland, West Germany and the UK have been developing their own set of security criteria, known as ITSEC (Information Technology Security Evaluation Criteria).

UK involvement has been chiefly through the Department of Trade and Industry and the government communications centre at Cheltenham with the help of companies including ICL and the software security specialists Admiral. The European Commission has now taken a leading role in driving the programme forward. On September 25 a draft of the ITSEC proposals will be put forward for inspection and comment.

Already a number of US computer suppliers are warning that the provisions of the ITSEC proposals could make it harder for them to sell computers in Europe.

The fact remains that security of computer-based information is now as great a concern for commercial users as it is for those in the intelligence services and the armed forces. Inability to supply properly secure systems is likely to prove a powerful deterrent to the expansion of computer use.

ARTS

CINEMA

Dudley's commercial breakdown

CRAZY PEOPLE (15)
Tony Bill

PAPER MASK (15)
Christopher Morahan

THE WOMEN ON THE ROOF (15)
Carl-Gustaf Nykvist

THE EMPEROR'S NAKED ARMY MARCHES ON
Kazuo Hara

Which brand of beer does a film hero drink? Which airline does he fly? It is common knowledge that manufacturers pay to have their products shown in films, but such placement is generally used in a fairly positive way. So a film about advertising which features real brand names, and aspires to tell the truth about them, suggests some interesting diplomatic problems for the producers.

In *Crazy People*, Emory (Dudley Moore) is an advertising copywriter who is sick of the fantasy language he is expected to write. If there are men who want a car that helps them impress women, why waste words pretending their choice has anything to do with its engine? If people go on exotic holidays to get laid, why bother to promote the scenery?

His attempts to get through to what people really want to know when they read advertisements shock his employers, who commit him to a sanatorium. But when the advertisements are accidentally published and result in huge sales – stocks of a laxative with a slogan suggesting that constipation could lead to cancer sell out completely – the agency want him back. Emory, meanwhile, is completely happy in hospital and can only be persuaded to return to work when the inmates – whose simplicity is ideal for the new-style campaign – are all hired to write slogans too.

After the final credits there is a stern little notice pointing out that the characters in the film are not suffering from mental illness, which is a very serious condition. This bit of insurance against accusations of discrimination or poor taste is so much an afterthought that it is ironic that the parallel between the insanity of the world we live in, and the sanity and truth we can find in "crazy people" if we treat them with respect, are actually unnecessary.

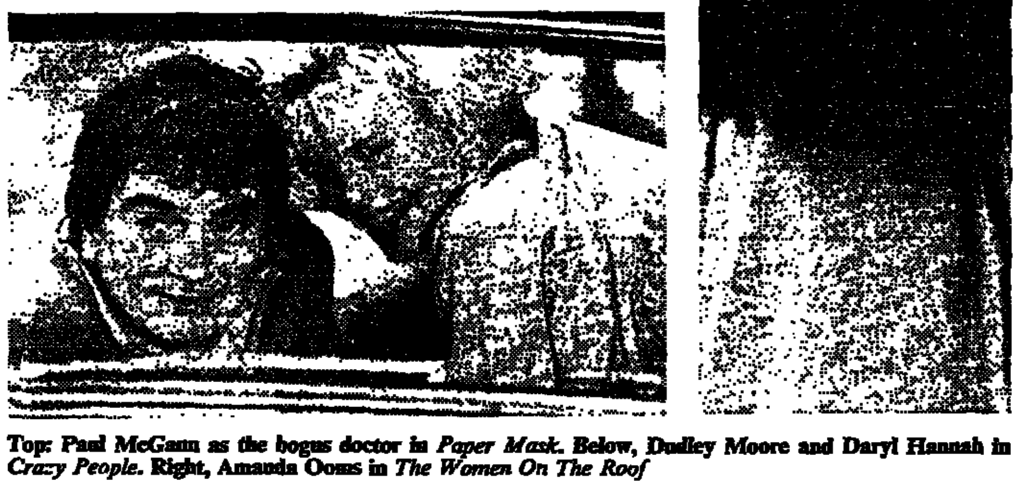
The message would have worked just as well if the outsiders had been portrayed instead as factory workers, shop assistants, librarians or absolutely anyone not burdened with the preconceptions of the advertising world. It was not necessary to set the film in a sanatorium at all, especially one in which no-one seems to have anything wrong except chronic cuteness and treatable emotional problems – nothing clinical or disturbing, Heaven forbid.

But there are benefits. The plot is too silly to be insensitive, and Dudley Moore plays his part straight for once. He and Darryl Hannah, as the multiphobic heroine, are like the only grown-ups in a kindergarten. The snag is that this is the sort of comedy that needs to be handled seriously by everyone. There is some entertainment to be found in the irreverent advertisements, but the idea (which never really challenges the morality of advertising) is hopelessly cluttered with cartoon villains and tiresomely lovable patients.

This could have been the movie that companies paid to keep their names out of (and it would be interesting to know if those featured did pay for the privilege) but by showing Emory's prosaic approach to be successful, reinforced by the use of real names like Sony, Jaguar and Volvo, the film rather incestuously proves his theory correct.

The idea that when we invest people with the qualities we think they have they then respond to our expectations also appears in *Paper Mask*. Though it is not based on one particular true story, writer John Collee was inspired by a number of news reports about people posing as doctors, and by his own observations during his earlier career as a doctor.

Matthew (Paul McGann) is an ambitious young hospital porter, always hanging around the medical staff, picking up knowledge and jargon. When he gets the opportunity to assume the identity of a young doctor killed in an accident he seizes it, and starts a career of bluffing his way through nights on the casualty ward, tricking people into helping him and relying on the solidarity of NHS colleagues to keep him out of trouble when, inevitably, he kills a patient.



Top: Paul McGann as the bogus doctor in *Paper Mask*. Below, Dudley Moore and Daryl Hannah in *Crazy People*. Right, Amanda Ooms in *The Women On The Roof*

At first there is even some humour in the way Matthew muddles through, but the horror of what he is doing rapidly takes over. Paul McGann is excellent as the young misfit sucked into his own fantasy of himself, and Amanda Donohoe as the nurse who unwittingly helps his deception has a remarkable grasp on the physical mannerisms – the sensibly shod stride – of the confident nurse.

People in hospital are more vulnerable than usual: in an alien setting, defensive, more ready to succumb to authority. When a man wearing a white coat and a stethoscope says he is a doctor, they believe him. If *Paper Mask* were just a thriller it would be entertaining enough. What lifts it above that is the realisation that it could really happen.

* * *

Cinema fiction suggests that there were so many women going around Europe in the first years of this century, asserting themselves artistically and generally breaking the rules, that the ones who stayed quietly at home were actually in the minority. *The Women on the Roof*, set in Stockholm, is the story of Linnea and Anna, a reserved girl and a flamboyantly liberated lesbian photographer (Amanda Ooms and Helene Bergstrom). Their friendship and artistic partnership is dealt with in a slightly uncomfortable but leisurely way, drifting rather than unfolding, and has the beautiful look of a painting that has become unnaturally dark and needs cleaning. (Director Carl-Gustaf Nykvist is the son of cinematographer Sven Nykvist). An old lover's reappearance and accidental death stimulate events more than the start of World War One, and when Anna describes her childhood, appropriately accompanied by picture slides, her pain briefly electrifies the screen. But in spite of a belated flurry of activity the film does not have much to say for itself.

There are many men haunted by a wartime experience, but that of Kenzo Okuzaki in the days following the end of World War Two have a special horror. Convinced that men had been deliberately shot and cannibalised to keep officers alive, he first took his grievances right to the top, uncompromisingly holding Emperor Hirohito – as Supreme Commander of the Japanese Army – responsible for all atrocities. Released from prison after an unsuccessful attack on the emperor in 1969 he persuaded documentary film maker Kazuo Hara to help tell his story. The resulting subtitled film, shot on 16 mm, may be more television documentary than cinema, but it is a compelling work.

The old man visits a succession of war veterans, followed everywhere by a camera team that never intrudes on what is happening. What is fascinating about this series of dialogues is the way in which the formality we normally associate with the Japanese becomes more and more perfunctory. Okuzaki, desperate to have the truth of his story confirmed and to establish some peace for himself and the souls of the dead men, becomes increasingly confrontational, even physically attacking a couple of the men who resist persistent questions. His obsession leads to a death, and today he is back in prison for the murder of the son of a former commanding officer – a sort of retribution by proxy. But there is still something so sane and sure about this man that the story cannot help but attract a fascinated sympathy.

Ann Totterdell

Royal Concertgebouw

ALBERT HALL/RADIO 3

The mystery of the empty seats remains unsolved. The programme that the Royal Concertgebouw were offering for their Prom on Tuesday was as attractive as could be and it was clear from the previous night, if we did not know it already, that Riccardo Chailly and his musicians would be giving us playing as expert as anything in the whole Promenade season. But the hall was again far from full.

In the two seasons that Chailly has presided in Amsterdam he has made his mark, a surprisingly unostentatious one, on the orchestra's style. There is nothing flashy about the technical brilliance that conductor and orchestra display. One senses that they simply enjoy getting every note exactly right, as the perfect balance of the solo horn quartet in Rossini's *Semiramide* Overture announced at the very start of this concert.

Everything that Chailly touches sparks precision from his fingertips. In Beethoven's First Symphony this gave us the classical style at its most sparkling. I have never heard those notorious opening chords despatched with such unanimity and the effect throughout was just as fresh, tingling with delight at its own rhythmic exactness. It all bodes well for what Chailly might do with Haydn, if not perhaps the later Beethoven symphonies.

To the major work on the programme, the Third Symphony of Prokofiev, he brought the same care for detail, though now spread over a larger canvas. Neeme Järvi has shown us how this symphony can open in a cataclysmic welter of noise that takes the breath away; but after what we had already heard from Chailly and the Concertgebouw it was only to be expected that they would sort out those complicated textures into impeccable order.

At times it was difficult to believe that the symphony could contain so much lightness and delicacy. The wind section, to whom the conductor justly accorded a group bow at the end, deserve a special mention for their playing, easily heard at all times thanks to Chailly's airy orchestral balance. Extraordinary that the audience should stay away when Barshai's flaccid account of Prokofiev's Fifth drew a full house at the weekend.

Richard Fairman

Momix

SADLER'S WELLS

I suppose that if you are prepared to accept the sight of a woman rushing about the stage carrying an umbrella draped in yards of white fabric and pretending to be a jelly-fish, then you might be ready for Momix. This small troupe of American gymnasts, who made a return to Sadler's Wells on Tuesday night, are purveyors of theatrical infantilism at its most winsome. They offer an especially tedious kind of of frolic, whose basis is the innocent belief that any game with a balloon or shadows or partially seen limbs on a darkened stage is valid entertainment. As incidents in some larger and more imaginative spectacle, Momix's little tricks might be acceptable; as the matter of an entire evening they are insufferable.

The essential qualities of the show seem to me frivolous and ineffably arch, physical japes as a substitute for creativity. There is an accompaniment of amorphously bad music – and prospective visitors to the Wells are hereby warned that the amplification is too loud, and that before the performance and during the interval the same clattering fatuities are played: it is the Muzak of the traffic jam where the motor next to you is blasting out abrasive nonsense.

The performers – three men, three women – have well-trained muscles and a reliance upon some of the hoariest tricks of music-hall. Why three women bouncing like bronco-busters on white balloons should be thought to represent "Spawning," or why anyone in this day and age can believe that a dance with a light-weight dummy is of the remotest theatrical interest, escapes me. These are not untypical samples of the feeble sketches on offer, with a nadir of bad taste reached when two women disport themselves – whether amorously or combatively I do not know – inside a gigantic clam-shell while the tragic aria "Ah, Belinda" from Purcell's *Dido* is played. (This is the only live music – it is the only true music – in the evening).

One item is worth watching. Alan Boeding has made a giant construction of two metal hemispheres, joined at an angle of 180 degrees. This rolls and curves over the stage, and Boeding leaps and balances upon it, Vitruvian man eeling his way through its inner structure, balancing upon it, sculpture and dance become fascinatingly one. He merits a far better setting than his present stupefying surroundings.

Clement Crisp

Blitz!

M. I. GROUP PLAYHOUSE

On the face of it, it seems a bit odd to set the National Youth Theatre loose on Lionel Bart's *Blitz!*, a show first and last seen in London nearly 30 years ago when memories were fresher.

On the other hand, there is a lot to be said for it. *Blitz!* could run to a cast of thousands, certainly hundreds – this production stops not far short of triple figures. There are parts for real children as well as the national youth playing adults. And there is also masses of zest and energy.

Not least, a professional production of *Blitz!* is unlikely to be seen on the London stage again. The reason for that is that it is not all that good. It is nothing like as good as Bart's *Fings Ain't Wot They Used To Be*, and it is not a patch on *Oh, What a Lovely War*, which admittedly is about a different war, but with which *Blitz!* must inevitably be compared.

Still, it has its moments and its nostalgia. If you shove a lot of people down a London Underground during an air raid and have them listen to the Nine O'Clock News, it is bound to. *The News* in question has a broadcast from Winston Churchill. It is followed by Vera Lynn singing "*The Day After Tomorrow*," the best single song in the play and probably the highlight of this performance as gradually everyone on stage joins in, one girl singing beautifully as she continues to do her knitting. It is hard to beat the voices of Churchill and Lynn in tandem.

The Underground station in question, incidentally, is Bank. It seems to have been then much as it is today. Only the advertisement for Oxo and the names in the ads for some of the old movies remind us that this is 1940, not Bank 1990. Perhaps it is being preserved in its gloomy state as a monument to the war.

The small children come into their own when they go off to be evacuated singing "We're going to the Country" and again in the song "Mums and Dads." The other memorable song is "Down the Lane" led by Elsie, played by Liz King who is one of the cast to watch. Yet the whole Petticoat Lane bit does not stand up to *Me and My Girl*.

Mrs Blitztein, the only really sustained part in the show, is played by Jessica Stevenson. Perhaps some of the others would be just as good if they had the chance, but only she has and she takes it. She does the solo "So Tell Me" as if she is perfectly at home in a large theatre.

Blitz! is directed by Edward Wilson and runs until September 22.

Malcolm Rutherford

Racing Demon

OLIVIER THEATRE

David Hare's play about the clergy, *Racing Demon*, which opened at the Cottesloe Theatre on February 8, has now transferred to the more capacious Olivier Theatre. The cast of Richard Eyre's production remains the same save that the part of the black girl – one of Lionel Espy's parishioners who goes to him for help – is now played by Valerie Bunkins. Otherwise all is as it was and it is hardly necessary to repeat how good they are.

Oliver Ford Davies as the Reverend Lionel

The outstanding performance is that of Oliver Ford Davies as the sad honest-to-God vicar Lionel who somehow, through his weary, scrupulous but unworldly faith, lets everything slip from his grasp. Accompanying his downfall are Barbara Leigh-Hunt as his long-suffering wife, Adam Kotz as his "combustible curate," Richard Pasco as his smoothly ruthless bishop, Michael Bryant and David Bamber as his colleagues in the clerical team they have formed. This by no means exhausts the list of a sizeable cast whose brilliant work all round makes this such a memorable evening. It presents that rare combination in the theatre of challenging ideas, witty lines and genuine emotion.

The only question remaining is what effect, if any, the transfer to the larger main house auditorium has had on the play. Well, the play rises to its translation to a higher sphere with an innate confidence that must be the envy of its characters. The cruciform shape of the acting area has been retained with some members of the audience seated at what is usually the area behind the stage. This serves to turn the spectators into a congregation; perhaps this effect is not quite as convincing as it was in the Cottesloe. However, the soliloquies addressed to God by each member of the cast in turn, which punctuate the story, come across as movingly as ever. And on the night I was there, the capacity audience was deeply, happily involved.

Anthony Curtis

Los Lobos

TOWN & COUNTRY CLUB

For a band that has been around for such a long time, Los Lobos have a slender output – a couple of widely admired early albums, a smash hit with the soundtrack of *La Bamba*, and then two years ago a fascinating traditional Mexican compilation, *La Pistola y el Corazon* that predictably made few waves at all.

As the only Hispanic/American combination to have established any sort of international reputation they have proved surprisingly happy to discard their roots, and the new album, the peg for their appearance at the Town & Country on Tuesday (they play again at the Mean Fiddler tonight), is much closer to mainstream West Coast rock: no songs in Spanish, and a big, dense sound to supplant the easy, light-fingered touch and exuberant syncopations of former times.

If one hoped they might recover their roots in concert, the evening was a disappointment. What was best about Los Lobos on the earlier albums was the elegant marrying of rock and tradition elements in which the virtues of both were preserved. But here they came over as muscle-bound, crudely amplified, with a harsh, gritty sound which made one regret many of the nice things written lately about sound systems at the Town & Country. They left behind an aggressive, curiously unstirring effect – and a good few pairs of ringing ears no doubt – together with the overwhelming sense that nothing had been heard to best advantage.

Even the old songs failed to stand up; it might have been a mistake to place "How will the Wolf survive?" and "Evangeline" so early in the set, before they had gained any sort of poise, and the brand-new numbers then slid by anonymously. The best moments were the Tex-Mex fillers; one hopes that they weren't guilty tokenism. Singing in Spanish the band seemed to relax more, regain their love of lopsided rhythms and not strive so hard to bludgeon the fans. In any case it's hard to beef up accordion or violin (the only "traditional" instruments to be heard) so much that voices get submerged, and through the thinner textures one could at least remember what was so attractive about Los Lobos in the first place.

Andrew Clements

ARTS GUIDE

September 7-13

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition opens in London sending reviewers scurrying to explain the artists's double vision. Burlington House, Piccadilly (287 9579).
Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionist and post-Impressionist collections formerly in the Jeu de Paume. 1 rue Bellechasse (45494814). Closed Monday.
Picasso Museum. The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's work. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. (42712421).
Musée de Cluny. Medieval Art in Paris. The Abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the ruins of Roman baths. Now a museum, it houses medieval works of art. Place Paul-Painleve, (43256200). Closed Tue and lunchtimes.
Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. (26 223978).

Brussels

Musée Royal D'Afrique Centrale. Idel Lanchelevici - drawings of Africa.
Fondation pour L'Architecture. Bruxelles Ville d'Architecture 1890-1958.

Barcelona

Fundacion Miro. Alberto Magnelli retrospective. Works on show by this Florentine-born artist painted between 1910-1969.

Rome

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective.
Palazzo Delle Esposizioni. This splendid neo-classical building reopens after four years of restoration work. On the ground floor is a fascinating archaeological exhibition, which attempts to give a clear picture of Rome in the 6th century BC. Particularly fine are the decorative additions to the Etruscan temples, delicately worked jewellery and the ceramics (imported from Greece).

Turin

Castello di Rivoli. A retrospective of minimalist artist Mario Merz.

Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by Masaccio and Masolino, are 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440.

Venice

Palazzo Ducale. Titian. This exhibition organised jointly by the Venice local council, the Arts Ministry and the National Gallery in Washington, marking the 5th centenary of the painter's birth, is the largest for over 50 years. More than 70 paintings are on show, lent by American, Russian and European museums.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1890-1914. Among the other artists are Matisse, Derain, de Valminck, Picasso, Kirchner, all influenced by Van Gogh. Goethestrasse 414300, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East Germany, underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. Bismarck was at the centre of several conflicts in relation to industrialisation, social questions and the impetus towards forming nation-states in Europe. An accompanying programme includes literature, music performances, films and video. Until November 25.

Leipzig

Museum der bildenden Künste. Max Beckmann (1884-1950), pictures from 1905-1950. Born in Leipzig, the painter taught in Frankfurt's Städel school from 1917-1930. In this exhibition are works from all over the world, including the renowned Synagoge and his final painting Behind the Stage.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books.

Chicago

Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

National Museum. Treasures from the Mii-dera. This Buddhist temple near Kyoto was founded in the 7th century and is famous for its sutras, paintings on silk and statuary. Closed Mondays.
Mitsukoshi Gallery (Mitsukoshi Department Store, Nihonbashi). Flowers of Creation: Aesthetics and Curiosities of Edo. Among the art and artefacts of feudal Japan on show in this charming exhibition are painted screens, furniture and some stunning kimonos. Opens Tuesday.
Tokyo Metropolitan Art Museum. Works from the new Japanese Gallery at the British Museum. Screens, scrolls, woodblock prints and ceramics – mainly from the Edo Era of the 16th to 19th centuries when Japan was closed to the outside world.
Idemitsu Museum. Noh Costumes. Noh is the world's oldest extant form of drama, dating back 600 years or so. The sumptuous costumes display the best of Japanese dying and weaving techniques and are themselves works of art. Also on display are masks, fans and stage props. Closed Mon.
Teien Museum. Mind and Body: the human form in Greek art. Sculptures and bas reliefs, mainly from collections in Greece and Switzerland, exhibited in an exquisite Art Deco former palace. Closed Wed.
Shoto Museum, Shibuya. Contemporary Japanese Prints, featuring woodblocks, etchings, lithographs and silkscreens by 20 leading Japanese printmakers of today.
Touko Museum. Issey Miyake: Pleats Please. Costumes and art objects by Japan's top fashion designer. The pleated costumes that look like space suits and feature geometric designs are based on his 1989 Paris collection.

Miami City Ballet to visit Northampton

The enterprising Derngate Theatre in Northampton has pulled off a coup by securing the only British appearances by the Miami City Ballet on its first European visit. Directed by Edward Villella, for many years a star of New York City Ballet and the hero of many Balanchine works, the Miami company will present a Balanchine programme of *Apollo*, *Concerto Barocco*, *Tarantella* and *Square Dance* at the Derngate from September 26-29.

Clement Crisp

William Coldstream at the Tate

The largest ever survey of the work of William Coldstream, representing his whole career from 1928 to 1983 with 80 paintings, will go on show at the Tate Gallery from October 17 to January 6, 1991, sponsored by British Steel.

The exhibition will then be toured by the South Bank Centre to Newport Art Gallery and Museum (January 19 - March 9); the Castle Museum, Norwich (April 9 - May 5); and the Whitworth Art Gallery, Manchester (May 10 - June 22).

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Japan on a tightrope

THE inflation-fighting credentials of the Bank of Japan have been clearly established in recent months, with striking effect on Japan's overblown financial markets. Higher short-term rates of interest and the recent appreciation of the yen will, in time, reduce inflationary pressures. Sadly, this tightening has come too late to avoid a prolonged period of monetary austerity.

The current plight of the Bank of Japan is the clearest example, so far, of the dangers inherent in sacrificing domestic policy objectives for the sake of ad hoc international co-operation. Following the Louvre accord of February 1987, Japanese monetary policy was too loose for too long. Extremely low short-term interest rates led to a lending spree by Japanese banks, a surge in equity and land prices and a substantial real depreciation of the yen. Price/earnings ratios rose to levels without parallel in the history of the Tokyo stock market. When interest rates rose once more, as they had to, the economic case for such low yields on stocks disappeared and the bubble burst.

The past decade suggests that capitalist economies can survive rapid reductions in real stock market wealth with little impact on the real economy. But the dangerous practice of counting unrealised capital gains on equity holdings in bank capital makes such a benign outcome less likely in the case of Japan.

Financial vulnerability

As share prices have fallen, the capital/asset ratios of the banks have deteriorated to levels well below those recently agreed by the international banking community, which become mandatory in 1993. In the short term the banks have been able to prop up their balance sheets through the issuance of subordinated debt. In time they will be forced to reduce their asset portfolios substantially, thus reducing the availability of credit not only at home, but worldwide.

As property companies begin to feel the effects of high interest rates, the weakening of the land market will impose further pressures on those financial institutions heavily committed to lending in this area. Recent scares about the vulnerability of the financial sector to a fall in land prices are exaggerated. Some small banks may be at risk. But the perhaps unwise welcome given by the Bank of Japan to the prospect of a 20 per cent fall in land prices is presumably backed by an equally firm, if less explicit, commitment to the stability of the financial system.

Monetary stringency

There is a reasonable chance that the adjustment of the Japanese financial sector to a period of monetary stringency will occur without a serious financial crisis, even though the Bank of Japan will need skill (and luck) to manage this. Inflation is neither high nor expected to accelerate. The ability of the real economy to sustain rapid growth of output, productivity and investment, despite the gyrations of capital markets and the exchange rate over the past five years, remains impressive.

The impact of higher oil prices is a further source of potential instability. A prolonged period of high oil prices cannot fail to have some effect on the growth potential of an economy so dependent on imported oil. But the degree of dependence has declined greatly since the 1970s. Furthermore, Japan's strategic oil reserves give the authorities the means to minimise the effect of any major shock upon the economy. They should be used for that purpose.

Japan can weather the storm. But it does so in a somewhat parlous financial state. In considerable part this reflects undue subordination of monetary policy to exchange rate considerations within international economic co-ordination over the past few years. Japan and the US share the blame for the painful and risky period of adjustment ahead.

Those risks must be contained. The Bank of Japan should now stand back and allow the lagged effects of high interest rates to take effect. Overly aggressive policy or rhetoric at this stage of the credit cycle could force an unnecessarily hard landing, with serious repercussions for both Japanese and global economic stability.

The cooling of Europhoria

WESTERN Europe's industrial recovery is losing some of its gloss. After several years of exceptionally robust economic growth, rising profits and investment and giddy euphoria about 1992, business faces a more testing period ahead, in which buoyant expansion and boundless horizons of opportunity can no longer be taken for granted.

The direct economic effects of the Gulf crisis are only partly responsible. Though higher oil prices will take their toll of growth and inflation, at current levels they do not threaten a Europe-wide recession. The increases so far are smaller than in the two oil shocks of the 1970s, and European economies are better equipped to absorb them – though things could change sharply if a shooting war broke out.

However, the Gulf crisis has also had a more subtle psychological impact, which has accentuated the recent sharp falls on European stock markets. Investors have been prompted to scrutinise Europe's fundamental industrial performance more closely and are finding it to be less solidly based than they had previously supposed. The reappraisal, under way with a vengeance in the UK since last year, is now highlighting adverse developments on the Continent, which have been in the making since well before Iraq's invasion of Kuwait.

At the instigation of the Bundesbank, monetary policies across Europe have steadily tightened over the past two years. More and more leading European companies are reporting disappointing financial results, and in certain big industries, such as chemicals, there is clear evidence of a cyclical downturn. There are also signs that the upswing in the automotive and steel sectors is faltering, while much of Europe's electronics industry is in poor shape.

Fierce price-cutting

In chemicals and motor vehicles, over-ambitious expansion of capacity has led to fierce price-cutting, particularly in the UK, once demand began to weaken. Producers now face paying the price for excessive optimism. Also at risk are companies, notably some French groups, which have stretched their balance sheets to make large, opportunistic takeovers and are vulnerable to high interest rates.

The outlook is further clouded by the growing likelihood of a recession in the US, where many European companies have been active acquirers, and by the strength of European currencies, which is exposing companies to keener international competition on both home and export markets. Meanwhile, earlier hopes of a business bonanza in eastern Europe are rapidly fading as the costs of German unification mount and the problems of economic reform multiply in the Soviet Union and its former satellites.

Dependence on US

Against that, it can be argued that Europe's industrial recovery has been largely investment-led, and that companies will not cancel long-term plans overnight. In addition, the rapid growth of intra-EC trade has reduced Europe's economic dependence on the US, while recent rationalisation by many European industries has equipped them better to weather slower growth.

But these claims have yet to be tested. In European industries such as cars and electronics, further – quite possibly painful – re-structuring is needed to achieve full international competitiveness. These will be harder to make against a background of more modest economic growth and business confidence. Governments need to guard against the risk of a resurgence of protectionist pressures, which could retard adjustment and jeopardise the single market. Companies, for their part, need to recognise that the comfortable margins of manoeuvre which they enjoyed in the carefree days of the late 1980s may be narrowing. Rigorous management, renewed emphasis on efficiency and adaptability in the face of a volatile business climate look more important determinants of corporate success in the early 1990s than the hectic pursuit of grand strategies which blithely assume that Europe's expansion will continue indefinitely.

ECONOMIC VIEWPOINT

'Blips' and Eurofed

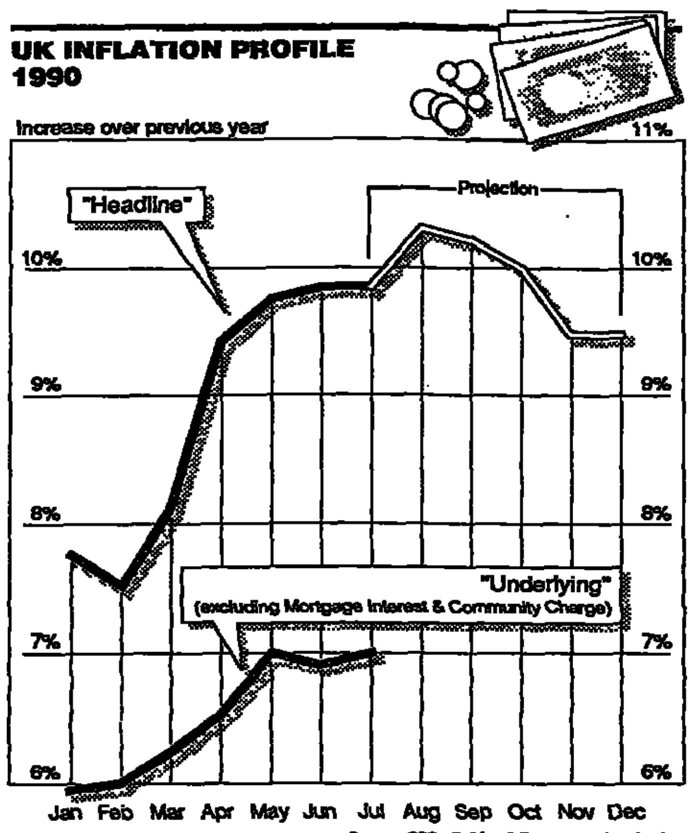
By Samuel Brittan

Why did the British Government pass over the option of entering the Exchange Rate Mechanism at the end of the August holiday season? The Chancellor, John Major, has become a strong supporter of membership, having witnessed the buffeting sterling received outside the system last autumn and winter, which has contributed to the relentless upward creep of the underlying inflation rate. The Foreign Secretary, Douglas Hurd, remains an ally, despite his absorption in the Middle East. The Bank of England is now fully on board and believes that the sooner that entry comes, the better. The Prime Minister is said to have conceded the principle, however reluctantly.

External and internal arguments point to early entry. Britain's influence in the Intergovernmental Conference on Monetary Union, starting in December, would be transformed if (a) the UK were in the ERM, and (b) the British Government conceded, in however distant and conditional a form, at least the principle of a single official currency.

Unfortunately, even the most pro-Europeans in the Cabinet are pessimistic about winning Mrs Thatcher over to any form of the second goal in the six to 18 months during which the IGC is likely to remain in session; and Parliamentary protestations about sovereignty (that is, the right to debauch a sovereign British currency) are taken too much at face value..

This makes ERM entry all the more important, which it is also for domestic reasons. The rise in sterling following the spate of membership rumours has been the biggest single force bearing down on inflation; but outside the pound remains vulnerable.



Two main reasons are given for the postponement of EMS entry, supposedly for a very few weeks. One is the desire to minimise the likely turbulence in the foreign exchange market following events in the Gulf. Unfortunately, Middle East uncertainties are unlikely to diminish between now and mid-December, while the need for an anchor for sterling – to prevent either an unsustainable rise or an inflationary drop

Delaying ERM entry runs up against the danger of a shooting war

– has become greater.

The second reason, which policymakers are more willing to discuss, is the inflation profile. Without Saddam Hussein, the headline RPI figure might have peaked near its July rate of 9.8 per cent, itself slightly lower than some had expected. Now, however, the August figure, to be published tomorrow will come well into the 10 per cent plus bracket. The underlying rate, excluding mortgage interest and poll tax distortions, is also likely to rise a further half a point to about 7¼ per cent due to oil prices.

The impact on the so-called Madrid conditions will be minimal as other European countries will be affected even more. The worry seems to be that the "shock horror" effect of the August figures will make ERM entry more difficult to sell to captious Tory backbenchers. If there is subsequently an inflation plateau or even a slight fall of one or two decimal points, the politics are said to be easier. For, by the time of the Autumn Statement, the September RPI figures will have been published and the Treasury will be able to make a good guess about October.

Alas, there are too many hostages to fortune here. The longer ministers wait to announce ERM entry the greater the danger that they will do so on the verge of, or in the midst of, a shooting war – especially as the "shoot 'em harder later" school is in the ascendant in Washington. The imminence of hostilities, apart from all its other horrendous implications, will give Mrs Thatcher a perfect excuse to reopen the ERM question.

Meanwhile, signs of recession, already evident from industrial surveys, retail sales, corporate profit statements and bad debts, will multiply; and with them expectations of base-rate cuts, which would be disastrous for sterling outside the ERM and require very cautious handling even within it.

The possibility of a wide entry band for sterling, skewed above the prevailing market rate, is at last being taken seriously; and that gives the Government a little more freedom from day-to-day market presures. But that does not remove the danger that, if entry is delayed, it will be at too low a central rate to put decisive downward pressure on inflation.

* * *

To judge by some of the media hype, the young audience that sings "Rule Britannia" at the last night of the Promenade Concerts will also be able to sing the words of a real headline: "Triumph of Thatcher Line on Euro Money."

Whether this appeals to you or not, forget the idea. Jacques Delors, the Commission president, did suffer a setback at the Rome "EcoFin" meeting and has unwisely allowed his resentment to show. The assembled Finance Ministers and central bankers did not accept his proposal to start Stage Two, establishing the new institutions, at the beginning of 1993 and then to move to the final Stage Three not long thereafter. But they objected to a fixed timetable, not to the goal of a European currency.

Nor was there any mass conversion to the hard Ecu. Interest was expressed in redefining the present Ecu so that it was at least as strong as its strongest component. But this was still as a unit of account and not a currency (except on the part of Spain).

Indeed, the Bundesbank president, Karl Otto Pöhl, who has been most warmly applauded by the Union Jack wavers because of his caution, himself presented a report of the Committee of Central Bank Governors, showing how far they had agreed on a draft statute for a European Central Bank. The Bank of England has played a full part in drafting the report, subject to a caveat about the Thatcher political reservations.

The primary goal of the European Central Bank will be to achieve price stability by methods consistent with "free and competitive markets." Like the Bundesbank in Germany, it will also be required to support the economic policy of the Community. But "in the event of a conflict, the governing body of the system will have no choice but to give priority to price stability."

The Eurofed Council will consist of a president, appointed at a European summit, who will head a seven member executive, and central bank governors from all participating countries. Policy decisions will be made by simple majority vote.

But to reinforce the commitment to price stability, all members must be duty-bound not to take instructions from Community institutions, national governments or anyone else. Members of the executive will be appointed for eight years, renewable except in the case of the president.

There will be a single "indivisible" central monetary policy. Minimum reserve requirements will not be prescribed at the outset; but the conditions under which they can be applied will be in the statute. Nevertheless, national central banks may exercise some independence in matters such as prudential regulation, payments systems and carrying out government business. No part of the system will be able to grant credit to government institutions.

National governments will still be in charge of exchange rate policy towards third countries, although Eurofed will be consulted and have freedom to conduct foreign exchange operations within the guidelines. If one is looking for a source of trouble, here it is.

Meanwhile, the Bundesbank's own hard core position is quite consistent. It supports a strong Eurofed, but would happily continue on its own if

Sticking to his core position would help Karl Otto Pöhl get his act together

other countries lack the political will to participate or have not converged to the degree it believes necessary to make the project work. If Mr Pöhl would stick to his core position and not switch the emphasis according to audience, it would work wonders to get his act together.

My view is that the political conditions in which even an inner group of five countries is prepared to accept a single official currency will not last for ever; those willing should go ahead even at the cost of a two- or three-speed Community. As the EMS has shown, if an inner group launches a successful pilot project, others will follow in due course. The way to miss the bus is to wait for stragglers.

BOOK REVIEW

'Big Bang' for eastern Europe

THE ROAD TO A FREE ECONOMY: Shifting from a socialist system: The example of Hungary
By János Kornai
W.W. Norton, £11.95

In every university library, there are whole rooms full of learned books on the transition from capitalism to socialism. Until recently it had hardly occurred to anyone to write about a move the other way. János Kornai, a celebrated Hungarian economist who spent most of the past two decades on seemingly wishful thinking about precisely this problem, has now produced a definitive textbook for the prospective reformers of eastern Europe. Yet there is a certain poignancy in the English edition's timing.

The economic revolutions sweeping eastern Europe are obviously going to be longer, messier and less inspiring than the "Velvet Revolutions" of 1989 – and the world's attention is already shifting away. Not only have Poland, Hungary and Czechoslovakia been pushed off the front pages but, far more important, they have also fallen far down the West's political and economic agenda.

There is now only one upheaval sensational enough to excite western leaders and grab headlines: the leap into the unknown being debated in the Russian and Soviet parliaments this week. Known as the Shatalin Plan or the 500-Days Programme, this should go down in history under a more dramatic title – the Second October Revolution, perhaps. For if the Soviet Union adopts this new economic policy, as it almost certainly will, the outcome will be nothing less than the dismantling of the entire material basis of communism, starting on October 1.

The irony of Dr Kornai's book is that the former oppressors in the Soviet Union now seem closer than any of the former satellite countries to adopting his key recommendation: that it is essential to combine simultaneous structural, macroeconomic and political reform in one carefully co-ordinated and fast-moving programme. In fact, Dr Kornai's book could be described as the foundation for the Shatalin approach.

Dr Kornai draws three powerful conclusions from Hungary's decades of tinkering with reform on the political and economic frontier between state capitalism and socialist central planning. It is no coincidence that these issues are the focal points of the current Soviet debate on reform.

First, he argues, it is futile to try to "simulate" market forces with an artificial construct like "market socialism". Trying to tell state-owned and socialised enterprises to behave as if they were subject to market disciplines is futile. Because their managers have no personal stakes in their success and because they can always turn to the government for additional funding, state enterprises must actually be circumscribed more closely, not freed to put genuine private companies out of business. Thus, without widespread private ownership of the means of production and freedom of enterprise, the market system will be an ineffective sham.

Second, macroeconomic stabilisation must be accomplished rapidly and with ruthless determination. The government's budget deficit must be eliminated, inflation must be stopped, foreign currency convertibility introduced and free pricing established, all as part of one "Big Bang" operation. Without such simultaneity, stabilisation can be worse than useless. "Most of the measures, beneficial as parts of a stabilisation package, would be dangerous and damaging if taken singly without the other measures being implemented at the same time," he argues.

Both the above conclusions are now widely shared by economic experts in East and West alike, though not necessarily by the politicians. Dr Kornai's original contribution lies in welding the structural and macroeconomic requirements together into his third, and most important precept. The freeing of market forces and the stabilisation of the macroeconomy are inseparably intertwined. They add up to an "organic whole" and cannot be separated out into distinct components. Just as it is necessary to implement all of the parts of the stabilisation programme together, the stabilisation programme itself must be combined with privatisation and market liberalisation if either is to succeed.

It is on this last point that Dr Kornai's prescription differs from the advice given by many western experts – and from the practice of most of the governments of eastern Europe. Neither Poland nor Czechoslovakia nor Hungary nor Yugoslavia have yet come up with the convincing programme of privatisations, financial innovations, land tenure reforms and other structural changes that might unleash the hoped-for flowering of the supply side of the economy.

To have any hope of doing this, their governments would do well to ponder some of the precepts laid down by Dr Kornai: all forms of private economic activity, including those now denounced as speculation and profiteering, must be wholly and truly liberated; enforcement of private contracts must be effectively guaranteed by the law; there must be absolute security for private property rights; the tax system must not restrain private investment; the credit system must favour the private sector rather than government-owned monopolies; finally, private economic activity must command "social respect."

Anatole Kaletsky

OBSERVER

The general moves west

■ While attention is directed at the Gulf cauldron the good news is that the melting of old cold war enmities is proceeding apace in Europe.

The head of Soviet forces in Germany, General Boris Snetkov, yesterday paid the first-ever visit by one holding his top job to the headquarters of the British Army of the Rhine in Mönchen-Gladbach.

Gen Snetkov commands the 380,000 troops of the west group of the Soviet army encamped in east Germany.

The General's next campaign will probably be his last in Europe.

He is starting to bend his mind to the tricky problem of withdrawing his men over the next four years after German unity on October 3.

Allied and Soviet commanders have gathered in the past for occasional social occasions at Potsdam, where Britain, the US and France have long maintained an army liaison group. But they have steered well clear of formal encounters.

The ice first started to break last September, I hear, when British commanders travelled to east Germany to visit Soviet military installations.

That trip was not made public. It actually took place two months *before* the breaching of the Berlin Wall.

Plastic men

■ The news that Hugh Freedberg, chief executive of The Mortgage Corporation, is moving to TSB to head its insurance and investment services division, means that TSB's upper echelons are now firmly in the hands of plastic card industry gurus.

Like TSB's Chief Executive, Don McCrickard (still best known as the man who gave the world the slogan "That'll do nicely"), Freedberg is a former head of American Express's UK card business.

TSB's head of banking operations is Peter Ellwood, who was head of Barclaycard until last year. He acted there as a virtual spokesman for the credit card industry, defending it against onslaughts from the press.

McCrickard is one of the founders of a group of former Amex top executives who have risen to the top in UK banking and still meet fairly regularly for reunion dinners.

Ironically none of his lieutenants will spend much of their time at TSB on the card industry. The TSB Trustcard, with about 3.5m holders, is being kept on a backburner at the moment.

Bird flown

■ I cannot believe that the Liberal Democrats, already a bad third in British politics, wish to be known as the invisible party.

But when they unveiled their new gold logo which is called the Bird of Liberty yesterday it disappeared from some of the press pictures.

Meticulously the party (and Scottish and Welsh cousins of the same name) are preparing for their big public occasion of the year – their conference in Blackpool next week. The design firm Fitch RS worked with them to create the winged device which, we are warned, must always be reproduced correctly, clearly, and in the right colours. It consists essentially of a bird body and 7 large feathers.

Paddy Ashdown MP, the party leader, took little persuading by press photographers (including the FT's Ashley Ashwood) to put on his widest grin and pose in front of the logo.

Back in newspaper darkrooms the pictures were developed and printed. Paddy Ashdown looked lovely. But where was the Bird of Liberty? Only faint traces could be discerned on the wall behind him.

"The pen? Japanese, actually."

The current theory is that the democratic bird in its present colours is shy of flash photography and hides its head under its wing. It will have to be more aggressive than that to survive in the hurly-burly of British politics.

Isidore next

■ The remains of Hurricane Gustav trailed across northern Britain a few days ago. Meanwhile, there is more severe weather in prospect for parts of the Atlantic. The US National Hurricane Centre in Florida, has just upgraded a depression to storm Isidore.

But why do hurricanes have such interesting names? The practice actually started centuries ago when they were given the names of saints. But it was 1950 before they began to be formally named by weathermen. At first the Florida centre used phonetic names like Alpha, Bravo, and Foxtrot. Then for the Eastern Pacific and in the Atlantic it switched towomen's names.

Men's names were introduced at the end of the 70s, bowing to pressure from women. Dr Hal Gerrish, a senior hurricane forcaster at the US centre says, "The feminist movement in this country tired of us blaming destructive things on women. They wanted men to share the responsibility".

Only six lists of 21 names are used now. On the seventh year they revert to the first list. The list stops at 21 because that was the highest number of systems in any one year - 1933. Famous hurricanes like Betsy and Hugo are removed from the list so that the records cannot confuse them with imitations.

Hurricane names are not chosen lightly. Proposals have to go before the World Meteorological Organisation in Geneva. To replace Hal, Geneva picked Humberto.

"They should have stuck with my name. It's easy and short", says Hal Gerrish.

Big ears

■ Jeweller Gerald Ratner was his usual good value at his company's press conference yesterday.

Confidently predicting strong sales in the pre-Christmas rush, he picked out three items. Two were uncontroversial – a ladies' watch with a selection of coloured dials, and a men's half-sovereign ring selling for less than the price of a half-sovereign (it's a fake gold coin in the mount).

But the third item, already selling for £1.95, is decidedly eccentric. It is a gold uncrushable earring for men. This accessory, which incidentally requires a pierced earlobe, is predicted as *the* big seller this year.

"You can go to all the right places and men are wearing them," says Ratner, although he was not sporting one himself.

Perhaps the Savoy was not one of the right places he had in mind.

Martin Dickson on the mud-slinging in the contest for Governor

Open race in Massachusetts

It is a classic tale from the political infancy of a banana republic: much disliked ruler and wife fly away on glad-handing mission to foreign parts. Ambitious number two stages palace coup. Rushes in new policies and declares ringingly, in the manner of usurpers down the ages, to be acting responsibly to head off a crisis.

But these very events have just unfolded not in some steamy, benighted backwater of the Third World, but in the Commonwealth of Massachusetts, the cultural and economic heartland of New England and one of the cradles of American political culture. And the embarrassed victim was none other than Governor Michael Dukakis, who a mere two years ago was the Democratic contender for the Presidency of the United States.

Even more curious is the sequel: just three days after staging the coup, Ms Evelyn Murphy, the state's Lieutenant Governor, committed political suicide by withdrawing from the race to succeed Mr Dukakis as Governor.

Yet bizarre though all this might seem, the events are in keeping with the remarkable intrigue and mud-slinging marking the state's politics as it heads towards a Gubernatorial election. And the issues raised in the Massachusetts race have a wider relevence, echoing the concerns of many Americans as the nation prepares for November's mid-term elections.

One theme alone dominates the Massachusetts battle: the sorry state of the local economy and the consequent fiscal crisis facing its government. New England in general, and Massachusetts in particular, are in the throes of a regional recession – and this is likely to deepen if the US economy as a whole gives up its last splutterings of momentum.

This is a far cry from the heady days of the 1980s, when New England boomed, with job gains well ahead of the national average, led by high-technology and defence companies.

It became known as the "Massachusetts Miracle" and was ridden by the politicians for all it was worth: Mr Dukakis, who was Governor in the mid-1970s and again for much of the 1980s, used his alleged economic achievements as a springboard for the the Presidency.

Mr Dukakis, having claimed credit for a miracle was now equally tarred with responsibility for the wine turning back to water. Worse for him, the view took hold that he had somehow betrayed the state, taking off on the aggrandisement of a Presidential campaign while at home the fiscal shop was left to stew.

Whatever the truth, the fact is that the slower economy has repeatedly thrown out the state's tax revenue assumptions and its citizens have been suffering from rising taxes and shrinking services.

All this explains why in a short two years Mr Dukakis has gone from being the toast of the national Democratic party to arguably the most unpopular governor in the nation.

Dukakis: on the way out as 'Massachusetts Miracle' fades

It is hardly surprising then, that he should have chosen not to run for a fourth term. Nor is it surprising that those fighting to succeed him should choose to put as much space as possible between Mr Dukakis and themselves, and claim to be political "outsiders."

This, indeed, has been a common theme in campaigns this year across the nation, suggesting widespread disillusionment at a local level with the two main parties, perhaps indicative of an economic downturn.

All this helps explain Ms Murphy's coup. A 50-year-old economist, with a prim, frosty manner, she was running a lacklustre campaign in the Democratic primary, lying a poor third in a three person race. And as Lieutenant Governor she found it hardest to shake off the Dukakis mantle.

Last Friday, however, when the Governor was away on a trade mission in Europe, she severed her links, unilaterally announcing a package of measures which she claimed would save the state $150m this year – a curiously similar figure to cuts announced by Mr Dukakis himself two days earlier.

She denied the move was linked to the Gubernatorial race, but few believed that, and opponents simply jeered. "Mutiny on the Titanic," said one. "A little coffee house coup d'etat," said another.

Opinion polls suggested the electorate was no more impressed and three days later Ms Murphy, acknowledging that she could not win the Governorship, bowed out of the race.

With just one week to go to the Democratic primary, that leaves a straight battle between Mr Frank Bellotti, a 67-year-old former Massachusetts attorney general, and Mr John Silber, the 63-year-old president of Boston University.

In many respects, Mr Silber is the more interesting candidate. A blunt-speaking, conservative Texan, he has turned Boston University from a financial black hole into a well-respected institution. More recently, he has undertaken one of America's most remarkable educational experiments, with his university taking on the entire administration of public schools in Boston's poor Chelsea district.

More than any other candidate, he can claim to be an outsider, but the flipside to that is his impolitic record of gaffes, which have come to be known as Silber shockers. The most notorious was when he quoted Shakespeare during a health debate: "When you've had a long life and you're ripe, then it's time to go." Opponents claimed he wanted to ration health care for the elderly.

Many voters find Mr Silber's lack of orthodoxy refreshing, but many also fear his temperament is too volatile for the Governorship.

That is one reason why Mr Bellotti, in spite of his uninspiring style, is favoured to take the Democratic nomination. Like Ms Murphy, who has now given him her backing, he is on the liberal wing of the party, with a good record as Attorney-General. As a conciliatory old-style politician he may win back some of the ethnic, blue collar votes lost to the Democrats during the Dukakis years.

But whoever gets the nomination, a Democratic victory is still far from certain in November's election. Because of the revulsion against Mr Dukakis, the state's small Republican party has its best chance to take the Governorship for 20 years.

There are two Republican contenders: Mr Steven Pierce, a state representative with a lacklustre political record and an anti-abortion stand. He is leading in the polls, but catching up fast is Mr Bill Weld, a youthful New England Brahmin, with an impeccable political pedigree, who blends tough talk on crime and taxes with liberal views on abortion.

However, both Republicans support a contentious grassroots movement, denounced by the Democrats, which would roll back Massachusetts' taxes if the voters support it in November. Similar tax revolts are under debate in several other states.

State officials speak in horrified tones of the impact this would have on their already much shrunken resources.

If the roll-back goes ahead, no matter who wins the election, the political mud-slinging next year would make the 1990 campaign look almost civilised in comparison.

Adrift on the high seas and seeking a lifeline

Richard Tomkins on difficult times for a contracting industry

A determined effort to thrust Britain's shipping companies into the limelight will begin on Sunday with the launch of British Shipping Month. But as the champagne corks pop at the opening ceremony aboard SS Canberra at Southampton, a sense of malaise is sending shivers through the industry.

The reason is its diminishing size. One does not need to turn a Nelsonian eye towards the British merchant fleet to observe that there is very little left of it. From a position of being one of the world's foremost maritime nations, Britain now ranks as a tiddler, with barely 330 deep-sea vessels left on its mainland register.

Worse, the signs point to further shrinkage. Because poor returns are discouraging shipping companies from investing in new vessels, the merchant fleet is ageing. Britain's vessels are therefore becoming increasingly uncompetitive when compared with the technologically more advanced vessels operated by other nations.

Britain is not the only country to have witnessed a contraction of its fleet. The container revolution radically changed the way freight is carried worldwide, making many cargo vessels redundant. Merchant ships generally have grown larger and faster, so fewer are needed. And in spite of a partial recovery, the global recession in shipping that occupied much of the past decade has left the industry burdened with overcapacity.

The British fleet, however, was hit worse than most during the 1980s: and, according to David Tomlinson, director of the independent UK Centre for Maritime Policy Studies, a history of poor management was largely to blame.

"The shipping industry allowed itself to lapse into the same sort of complacency as the motor, coal and steel industries, characterised by inefficiency and restrictive practices," he says.

"Now we have a new car industry, a new steel industry, and we almost have a new coal industry, but the shipping industry seems to be running five to 10 years behind."

Shipping companies claim with some justification that their management has sharpened up immeasurably since the bad old days. Their continuing difficulty, however, is in competing against countries using cheap, Third World crews or those such as Norway, West Germany and Greece which award tax breaks to their industries.

One way shipping companies have tackled labour costs is by registering vessels in offshore territories or in other countries such as Liberia, thus enabling them to use cheaper foreign crews. More than 40 per cent of the 581 ships in the British-owned fleet has been flagged out in this way.

But the industry says a more important factor determining its future is its ability to make adequate returns on investment in new vessels. Against a background of continuing softness in world shipping rates, it says, nearly all Britain's competitors give their shipping industries significant fiscal incentives to invest, and Britain needs to do the same.

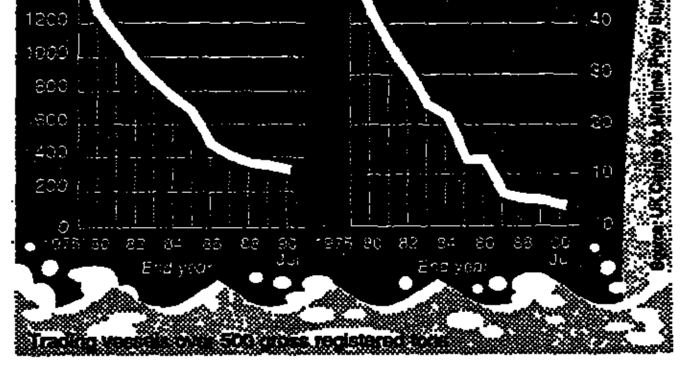
'The shipping industry is characterised by inefficiency and restrictive practices'

The two biggest items on its shopping list are adjustments to the tax regime to favour the purchase of new vessels. The first request is for accelerated depreciation, allowing companies to write off 100 per cent of the cost of new ships against tax in the first year; and the second is for roll-over relief, meaning that the Treasury would forgo tax on profits from the sale of ships, provided the money was reinvested in new or secondhand vessels.

Together, the industry calculates, these incentives would cost the Treasury about £1bn in taxes forgone over the first five years. It believes the sum would eventually be recovered in higher tax revenues from a more prosperous industry.

The main plank of the British shipping industry's case for special treatment is its contribution to the balance of payments. At £4.1bn gross last year, it says, it was Britain's largest source of invisible earnings after tourism and financial services. Another £1bn or so was contributed by London's maritime insurance, shipbroking and related activities, the future of which could be jeopardised by the loss of an indigenous maritime industry.

Two other arguments for the merchant fleet industry revolve around Britain's position as an island nation. Some 95 per cent of the country's imports and exports are carried by ship, the industry says, so it should not be left wholly vulnerable to other countries' shipping services. And at times of crisis – witness the Falklands conflict – the fleet becomes a vital element of defence capability.



One of the main aims of British Shipping Month will be to drum these arguments home in the run-up to next month's Tory Party Conference in the hope of engineering backbench support for budgetary reform next spring.

The prospects of success, however, do not look particularly rosy. Tax breaks on this scale would not only fly in the face of the Government's free market ideals, but blow a big hole in its attempts to create a neutral tax regime. Further, the Treasury is firmly of the view that supporting sunset industries is inherently damaging in that it diverts investment away from growth sectors towards those offering poor returns.

Ministers can also argue that the shipping industry is being alarmist. There is no convincing evidence that it will necessarily disappear without government help: indeed, it was only this week that the Peninsular & Oriental Steam Navigation Company, Britain's biggest shipping company, reported an increase in interim operating profits from £29.2m to £47.7m for its passenger shipping division and from £16.3m to £29m for its container and bulk division.

Yet the shipping industry does have a couple of trump cards up its sleeve. One is that, after a period in which detente seemed to have undermined the argument that it is necessary to maintain a merchant fleet for transport needs in times of war, the Gulf crisis has suddenly brought it back into play. The sight of US defence forces feverishly scouring the world's charter markets in an attempt to find vessels capable of meeting their transport needs has brought the issue into focus.

The other is Sir Jeffrey Sterling, chairman of P&O and president since May of the General Council of British Shipping, the industry's representative body. A man who moves in senior government circles and is widely regarded as having Mrs Thatcher's ear, Sir Jeffrey not only represents a formidable lobbying force, but is also co-chairman with Mr Cecil Parkinson, the Transport Secretary, of a working party studying the shipping industry's troubles.

The working party is due to report tomorrow, and the Government will respond soon afterwards. The question of tax breaks is specifically excluded from its remit: but it would be surprising if the Government did not attempt to take some of the force out of the shipping industry's arguments by offering a non-fiscal fillip or two.

LETTERS

Sterling overvalued

From Mr Michael Nevin.

Sir, Barry Riley's article on "British industry's stiff upper lip" (September 8) is a timely reminder of the conflicts that persist between the needs of British industry and the financial markets.

The economic strategy being pursued by Mr John Major, the Chancellor of the Exchequer, of high interest rates and a strong pound, is broadly analogous to the policies pursued during two previous periods of 20th-century British economic history. The first was between 1925 and 1931, following Britain's return to the gold standard. The second was the term of Sir Geoffrey Howe's chancellorship between 1979 and 1983 when, as today, the external value of sterling was buttressed by high oil prices.

During both periods, sterling was overvalued. Maynard Keynes estimated that sterling's return to the gold standard at a parity of US $4.86 = £1 in 1925 represented an overvaluation of 10 per cent compared to the level at which balance of payments equilibrium could be achieved.

It is difficult to be as precise about the extent of sterling's overvaluation in the early 1980s, but the fact that its rate of exchange fell from US $2.40 = £1 to $1.05 = £1 within five years is strong evidence that, at its peak, sterling was overvalued by more than 10 per cent.

The effects were similar in both cases. The high external value of sterling, sustained by a regime of high interest rates, reduced the competitiveness of UK industry on world markets, and depressed both corporate profitability and real wages. Investment was squeezed between an overvalued currency and high interest rates.

Consequently, job creation was limited, and the level of unemployment rose above its long-run equilibrium (which may be defined as the "Nairu" – non-accelerating inflation rate of unemployment). The monetary sector witnessed severe disinflation: deflation in the late 1920s, and a sharp fall in the rate of inflation in the early 1980s.

There is little doubt that the combination of a strong pound and high interest rates will lead to a similar fall in the rate of UK inflation in the medium term, which is Mr Major's top priority. However, as in the 1925-31 and 1979-83 periods, this will only be achieved at the cost of a severe retrenchment in British industry.

The situation would be made even worse if Britain entered the exchange rate mechanism of the European Monetary System at prevailing rates, which are affected by the Gulf crisis. Entry at present exchange rates would have the following effects:

- The high value of sterling would send the wrong signals to both consumers and producers, namely, to substitute imports for domestic production, while making exports expensive on overseas markets.
- Consequently, import-substituting or export-generating investment in the UK would be discouraged.
- The process of restoring the UK's balance of payments to equilibrium would be hampered, and a longer and deeper slowdown in domestic growth would be required to restrain imports than would be necessary at a lower exchange rate.
- Unemployment would rise well above its Nairu level.
- And, while the value of sterling internationally could be defended for a while by high interest rates, in the medium term its value could not be sustained and sterling would be forced downwards within the EMS.

It should be remembered that, despite high interest rates, both the 1925-31 and 1979-83 periods were followed by big sterling devaluations.

A preferable alternative would be to reduce interest rates and allow the external value of sterling to fall to a sustainable level, perhaps between 10 and 15 per cent below its present level, before entering the EMS. At the same time, an austere autumn mini-budget should be introduced to restrain consumer demand through higher taxes: after all, it was the fiscal laxity of the former Chancellor, Mr Nigel Lawson, in 1987-88 that led to the upsurge in inflation.

The combined effect of a tough budget and lower interest rates and exchange rates would be to shift resources away from domestic consumption and towards export-oriented production, thus improving the balance of payments while reducing inflationary pressure.

Michael Nevin,
Providence House,
10 Elliscombe Road,
Charlton. SE7

Compensation for 'disturbance'

From Mr Michael Pattison.

Sir, Samuel Brittan gives his welcome support (Lombard, September 10) to the idea that those most affected by essential development should be compensated by a disturbance payment over and above the present value of their homes.

These ideas deserve more examination. They are not, however, the "most novel" proposal in the paper reviewed by Mr Brittan. The idea of an additional allowance was the centrepiece of an important review, by this institution, of compensation for compulsory acquisition (published in March 1989). This was lodged with the Department of the Environment and has been under discussion with the department since then.

I hope more voices will now be added in support of this concept. With a big planning bill due in the new parliamentary session, we have the best opportunity for years to take an innovative step significantly to reduce planning delays and uncertainties. They create prolonged agony for people, unacceptable delays, and increased cost for those involved in promoting essential development.

The planning framework is vital. Changes in the principles of compensation could help people accept the case for improving our infrastructure when it comes close to home.

Michael Pattison,
The Royal Institution
of Chartered Surveyors,
12 Great George Street, SW1

Sitting less than pretty

From Mr D.A. Thompson.

Sir, It is not just the county of Kent that is threatened by the Channel Tunnel and the road and rail links it will require.

A number of London boroughs lie in the path of the high-speed link (whatever route is finally chosen) and the lines which will have to take the rail traffic from 1993 until the time when the new link is completed.

The tunnel has already cast a blight over a wide area. House prices have fallen, and some houses in the borough of Bromley are unsaleable. Blame for this situation must lie squarely with the Government, because it was the Prime Minister who signed the agreement to build this unwanted monstrosity – which will transform Kent from the garden of Europe into the backyard of Europe – without planning for the necessary infrastructure.

This issue could cost the Conservatives the next election. A number of Conservative-held outer London seats are directly affected, as well as the 17 seats in Kent.

D.A. Thompson,
High Birches, 21 Wood Ride,
Petts Wood, Kent

Steadfastness and careful truth

From Mr L.B. Smith.

Sir, I have always believed that the only way to test whether a newspaper gets the facts right is to check the facts that you know yourself. So I was interested to read your leader (September 4) which included the phrase: ". . . act as mercenaries, even (in Kipling's words) to 'save the sum of things for gold.'"

Was it really Kipling? Was it not A.E. Housman, whose poem *Epitaph on an army of mercenaries* ended with the phrase: ". . . and saved the sum of things for pay"? Or have I got it wrong?

L.B. Smith,
53 Burlington Avenue,
Kew, Richmond, Surrey

Shipped out all shipshape

From Mr Martin Jay.

Sir, "A close-run success story," written by Ian Hamilton Fazey (September 6), contains statements that are incorrect and which could be potentially harmful to our business as one of the UK's leading exporters of warships.

In particular, the statement that HMS Chatham was the first ship to be delivered to the Royal Navy with zero defects is not correct. HMS Quorn, the Hunt class mine counter-measure vessel built by this company was accepted into service with the Royal Navy in January 1989, with zero defects.

Martin Jay,
Vosper Thornycroft (UK),
Victoria Road,
Woolston,
Southampton, Hampshire

FINANCIAL TIMES
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INTERNATIONAL MONETARY FUND ANNUAL REPORT

A touch of glasnost at the IMF

By Peter Norman, Economics Correspondent, in London

GLASNOST is taking root at the International Monetary Fund.

The IMF's latest annual report gives an unprecedentedly detailed account of the discussions on economic policy that take place between the Fund and its members.

This openness reflects the management style of Mr Michel Camdessus, the IMF managing director, and for the first time the report shows when the IMF board discussed the economic performance of the main industrial countries. This allows readers to assess how governments have responded to advice and brings the process of IMF surveillance over the policies of its members more into the open.

In the report the IMF identifies surveillance – carried out mainly through consultations under Article IV of its charter – as "the central activity of the Fund."

Surveillance and consultations with member governments are likely to grow in importance. The report says that IMF directors agreed last June that enhancing the Fund's role in the monetary system mainly depended on the quality of its surveillance.

Exchange rates alone cannot serve as a nominal anchor against inflation for the international monetary system. Instead, it is up to the monetary authorities of each country to achieve price stability, supported by a disciplined fiscal policy.

The report briefly outlines what the IMF board concluded during the Article IV consultations with the Group of Seven biggest industrial countries.

Since the board discussed Japan only last July its recommendations are still fresh: Japan is urged to place "strong emphasis on the bold pursuit of structural policies, particularly those that would help improve living standards, improve access to Japanese markets and reduce structural distortions in the economy and financial system."

Measures to eliminate distortions in Japanese agriculture, land management and the retail sector would both help increase welfare at home and abroad and reduce trade tensions, the report says, adding that several IMF directors said Japan should invest more on social infrastructure and beware of too cautious a fiscal stance.

The board's discussion of Germany's economic policy took place in July 1989 – before the fall of the Berlin Wall and moves towards German reunification. But some recommendations, such as a call to reduce structural rigidities, remain relevant.

The IMF has added a postscript saying that monetary and economic unification between the two Germanys should contribute to improved non-inflationary global growth, reduce current account imbalances and aid economic developments in eastern Europe.

The board's discussion of the US took place in September 1989, although some observations remain apposite. IMF directors say there is a need for "substantial additional" fiscal measures to cut the budget deficit and boost savings.

The report says higher savings, to be achieved mainly through fiscal restraint, are essential to cut the external deficit. This deficit is seen as a major source of vulnerability.

The IMF board reviewed British economic policy last March. It expressed concern that inflation had not peaked and gave what turned out to be a prescient warning that inflation might not decline as rapidly as envisaged by the UK authorities. It urges a continuing cautious fiscal stance in the current financial year.

Some directors say that the UK should aim for another large budget surplus in the current financial year and that the government should postpone significant tax cuts, while promoting tax reform.

This was the course taken by Mr John Major, Britain's Chancellor of the Exchequer, in his first budget in March when he left income tax rates unchanged, announced tax changes to encourage savings and set a £7bn ($13bn) target for the public sector debt repayment in 1990-91, unchanged from the level then expected for 1989-90.

ARREARS of debtors to the IMF remain a serious problem, although the number of countries in arrears has fallen with Guyana and Honduras settling their overdue obligations in June, the Fund's annual report says.

Eleven countries were in arrears at the end of April amounting to SDR3.25bn ($4.51bn), against SDR2.80bn a year earlier. By the end of June, the arrears of nine countries – Kampuchea, Liberia, Panama, Peru, Sierra Leone, Somalia, Sudan, Viet Nam and Zambia – stood at SDR3.20bn.

All except Kampuchea made some payments to the fund in the financial year ended April 30. A group of donor countries led by Italy established a support group to help Somalia out of arrears.

Earlier this year, the Fund's board agreed on a strategy to tighten policing of arrears and provide for the suspension of voting rights of members falling into long-standing arrears.

Brady plan for reducing debt makes good progress

By Stephen Fidler, Euromarkets Correspondent, in London

PROGRESS has been good in implementing the Brady initiative, launched last year and aimed at lowering the debt burdens of developing countries, the International Monetary Fund says in its annual report.

However, some of the debt reduction packages agreed between debtor countries and their banks have progressed slower than expected and resulted in less finance than hoped. The IMF said some directors believed the Fund's resources should be used more flexibly in support of Brady-type debt reduction than is currently the case.

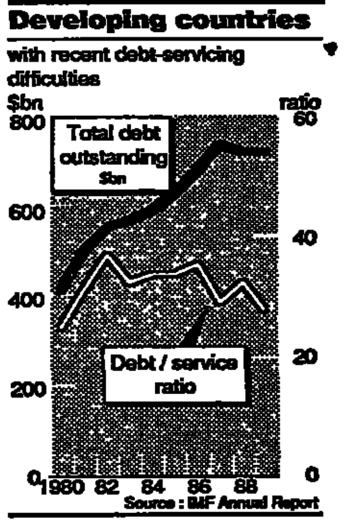
The IMF has lent funds to finance debt reduction to Mexico, the Philippines and Costa Rica, which have all completed agreements. It has agreed to support similar deals in Argentina, Ivory Coast, Ecuador, Jordan, Poland and Venezuela.

The report defended the Fund's recent policy of lending to debtor countries in arrears to banks, saying it had "helped to promote normal debtor-creditor relations in a number of cases."

● The ratio of total debt to annual exports of debtor developing countries fell last year to its lowest level since 1981, the report says.

Developing countries

with recent debt-servicing difficulties



The improvement of the ratio – an important measure of the burden of debt – reflected a fairly stable stock of debt and continued export growth. Debt-export ratios fell for most of the main groups of debtor countries over the last two years, although for those with recent debt servicing problems, the ratio remains well above 1981 levels.

However, the debt burden remains onerous for many countries, particularly in Africa. The total debt of developing countries was almost unchanged at $1,235bn, 32 per cent of total gross domestic product. In Latin America, operations such as debt equity swaps helped reduce the region's debt slightly to $408bn, 38 per cent of GDP. Africa's debt was largely unchanged at $209bn.

The dependence of developing countries on official sources of foreign finance increased last year. Non debt-creating flows of finance – such as foreign direct investment and official transfers – fell by $3bn, while net external borrowing rose $8bn.

Net lending from official sources rose to $27bn. Developing countries raised about $16bn in the form of new publicised commitments from about $23.5bn in 1988.

● The transition to market economies in east Europe is expected to involve "considerable short-term costs," the report recognises. But it was preferable to implement market-oriented reforms rapidly to minimise the build-up of resistance and hasten the emergence of tangible benefits.

Fund reviews SDR role in international monetary affairs

By Peter Norman

THE International Monetary Fund has turned its attention to possible reform of the international monetary system.

Since the lengthy discussion over raising the quotas or membership subscriptions to the Fund was resolved at last May's meeting of the IMF's policy-making Interim Committee, the Fund has been reviewing the role in international monetary affairs of the Special Drawing Right, its own reserve asset.

In its annual report, the IMF said its board had considered ways to strengthen surveillance and policy co-ordination. There had been particular focus on the extent to which using national currencies as reserve assets may have weakened policy discipline in the main industrial countries.

The IMF looked at whether a bigger role for the SDR would be desirable in monetary affairs. It has had a mandate to study its greater use dating from the Fund's 1988 annual meeting in Berlin.

In fact, the IMF's annual report identifies the main stumbling block to greater use of the SDR: that any plan to limit the use of national currencies could only be effective if big industrial countries were willing to accept greater discipline through such instruments as "substitution accounts". In such accounts, currencies used as reserve assets would be replaced by liquid claims on the international community such as SDRs.

The report disclosed that some IMF directors had suggested that the SDR – while not being used as a vehicle of intervention – might be used more to finance intervention. They suggested setting up a pool of SDR resources to finance intervention on a revolving basis.

There was also some support for encouraging greater private use of the SDR, even though private demand for SDRs is limited.

The discussions also uncovered other problems surrounding the SDR. One was that it was spread unevenly among countries. In addition, the US, among others, continued to block a new allocation of SDRs to support operations for reducing the debt and debt-service burdens of Third World countries.

THE LEX COLUMN

A global warning from BTR

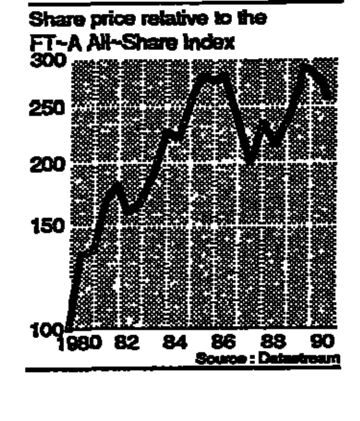
The striking thing about BTR's results yesterday was not that the shares fell by 11 per cent, but that the market as a whole did not follow suit. Taken at face value, the company's message is profoundly bearish. The coming world recession differs from that of ten years ago chiefly in being broader; whether it is as deep will only be clear as it gathers pace over the next twelve months. It now looks as if BTR itself, which produced earnings growth of 20 per cent in 1981 and 19 per cent in 1982, may be reduced to virtually zero growth this year and next.

The obvious objection to the comparison is that ten years ago BTR was a much smaller and less diverse company. But it was still a conglomerate, turning out such recession-prone products as hoses, valves and motor components. It is not clear why the disciplines which protected it then should no longer apply. Either BTR is a spent force, or expectations on corporate earnings need yet more downgrading.

At yesterday's close of 318p and assuming earnings growth this year of perhaps 4 per cent, BTR's shares are below the market p/e and above the market yield. Unusually, they are also on a lower multiple than Hanson, which seems to have better growth prospects this year and has net cash in place of BTR's near-50 per cent gearing. But BTR still claims to see the looming recession as an opportunity for acquisition, just as it picked up a weakened Thomas Tilling in 1983 and Dunlop in 1985. Indeed, it remains hard to imagine a downturn which could do the company material damage. But if that makes the shares undervalued in relative terms, this could well be corrected not by a rising share price but by a falling market.

BTR

Share price relative to the FT-A All-Share Index



Japanese yen

Watch out: Japanese money is heading home. The message has yet to reach the Japanese equity and bond markets, which remain in a fragile condition; but it is clearly showing up in the exchange rate. Having fallen by more than a third since late 1988, Japan's trade weighted exchange rate has risen by over 6 per cent since the Gulf crisis began. The yen has been far and away the best performing currency, which is all the more surprising given that Japan should be harder hit than most by the recent near doubling in oil prices.

There are plenty of reasons why the yen should strengthen. After five rises in the discount rate, short-term Japanese rates are now firmly established above US rates. The gap should widen as the US Federal Reserve is forced to ease monetary policy in a desperate bid to avert recession. The Japanese trade surplus is beginning to rise again and real bond yields in Japan are much more attractive than in the US. Meanwhile, the Bank of Japan's latest quarterly survey of short-term economic prospects demonstrates that the recent jump in oil prices has not damaged Japan's robust capital spending plans. Unlike, most of its industrial partners, Japan seems able to live with high interest rates.

The economic factors behind a rebound in the yen have been in place for some time. What has been missing, until now, is a reversal of the huge capital outflows which swamped the balance of payments surplus. Part of the reason for the change has to do with Japanese banks' urgent need to repair their capital ratios. But if it continues for much longer it is bound to be bearish for other markets.

British Aerospace

Short-term, BAe's profits and its share price are a hostage to all the great imponderables of the day, like the oil price, sterling and Saudi Arabia. The difficult thing, in looking at the interim taxable profit of £146m, is to work out what it says about BAe's chances of success in its long-term strategy. On that score, the obvious good news came down to three things. The first was civil aircraft's £15m trading profit, albeit including a £14m write-back of provisions; the second, a continuing margin improvement on the military side; and the third, the impending upswing in Rover's fortunes.

Can BAe maintain the momentum? In civil aircraft, the signs are that it can, given the steady approach of Airbus towards profitability; and on the military side, the scope for rationalising old plant means margins have further room to rise. But perhaps the biggest risk factor is timing: the possibility that Tornado, which saw BAe through the 1980s, will start tapering off before Airbus and the real estate operations are feeding in substantial sums to the bottom line. It is hard, too, to see that a company whose dividend payments will total only £80m-odd this year deserves much more than its current market capitalisation of £1.45bn.

Ratners

The sales figures look good, the pitch is smooth as ever, the shares even rose despite the questionable utility of first half figures in a business dominated by Christmas. But a lingering question-mark hangs over Ratners. It concerns not the UK, although with continuing problems at Salisburys and doubts over operating margins in the wider group, it might.

Rather, it involves the US acquisition of Kays, which still looks a little like a deal too far. If dilution can be avoided this year, well and good. The following year will be an equally stiff test, for the group is unlikely to escape the worsening US consumer spending squeeze with its growth rate intact. If it does, the rating will surely rise, given a prospective multiple of 7.7 times with the shares at 232p and assuming pre-tax profits of £143m. Just how much of an earnings push Kays could sustain, however, remains tantalisingly unclear.

Corroon/Aon

Given last year's Delaware court ruling on the Time/Warner case, it is legally conceivable that Corroon & Black's board could "just say no" to yesterday's $40 per share bid from Aon, and stick with the $33.50 rival offer from Willis Faber. But C&B must think carefully. At $40, Aon's offer is good value, given that delays in the US insurance cycle's upturn have savaged brokers' shares on Wall Street. And strategically, Aon's Rollins Burdick Hunter unit has strong London connections, if smaller than Willis. The UK company needs C&B badly, so may have to offer $40-plus.

Unity treaty marks end of a divided Europe

Continued from Page 1

fears at the prospect of German unification, and outspoken concern expressed by conservatives both in the military and the Communist Party.

It was appropriate that Moscow should be the venue for the signing of the treaty, as the capital of the country whose army and whose weather, not to mention its impassable roads, did the most to tear the heart out of the German Wehrmacht during the war.

President Mikhail Gorbachev, whose revolution in Soviet thinking sparked last year's political upheaval in eastern Europe and paved the way for German unification, attended the brief ceremony.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, in an emotional speech to mark the culmination of decades of campaigning for detente and unification, said it was "a day of remembrance and a day of gratitude. At this moment we remember the infinite suffering of people, not only those whose representatives are gathered around this table. Our thoughts are especially with the Jewish people."

The final negotiations involved an extra protocol about future deployment of Nato forces in what is now East Germany. To allow small-scale exercises, such deployment will be left to the government of a united Germany, to be exercised "in a reasonable and responsible way."

Spending plans trimmed in French budget

By George Graham in Paris

FRENCH government spending next year is set to rise by 4.8 per cent in a budget, unveiled yesterday, which has been tightened in the wake of Iraq's invasion of Kuwait.

Mr Louis Le Pensec, the government spokesman, said the budget was based on "effort and equity, not austerity."

Mr Pierre Bérégovoy, the Finance Minister, still intends to cut the budget deficit to FFr80bn ($15bn), FFr10bn less than in 1990, but he has lopped FFr8bn off his initial spending plans in order to make way for more tax cuts.

Those tax cuts are aimed mostly at stimulating company investment, which has already begun to slow and could come to a halt as a result of the Gulf crisis. But Mr Bérégovoy has also sought to still the grumbling of the parliamentary Socialist Party with stiffer wealth taxes and FFr1.6bn extra for minimum income payments to the unemployed.

Corporation tax on undistributed profits will be cut, as expected, from 37 per cent to 34 per cent, and the top rate of value added tax will be reduced from 25 to 22 per cent, coming closer into line with other European countries.

At the same time, however, the Government plans a sharp increase in capital taxes: an extra FFr650m from the wealth tax, taxation for the first time of capital gains on unlisted shares, and a 4 percentage point rise in the tax rate on company financial gains to 23 per cent.

The Government has made some adjustments to the economic forecasts on which the 1991 budget is based to take account of the rise in oil prices since the invasion of Kuwait.

On the assumption of an oil price at $25 a barrel, the Government has revised next year's growth forecast slightly downwards to 2.7 per cent – a figure which some independent economists say may be over-optimistic – with inflation rising to 2.8 per cent.

The French trade deficit, which the Government had earlier hoped to reduce to FFr39bn, is now forecast at FFr50bn next year.

Despite the measures intended to soothe its party supporters, many of whom have been demanding a more overtly Socialist economic policy, the Government is expected to face some difficulties in pushing the budget through parliament, where it does not have an outright majority.

Parts of the right-wing opposition, especially the Gaullist RPR, have strongly criticised the budget proposals for not cutting spending and taxation severely enough.

The Communists, whose votes have often been crucial in securing a parliamentary majority, have attacked the proposals for "gifts to business" such as the reduction in corporation tax on undistributed profits.

Mazowiecki tightens hold on privatisation

By Christopher Bobinski in Warsaw

POLAND'S Prime Minister, Mr Tadeusz Mazowiecki, is expected to propose Mr Waldemar Kuczynski, a close aide, as the head of the country's newly formed privatisation ministry in a move aimed at bringing the whole programme closer to the Premier's office.

The nomination is expected to be presented for parliamentary approval on Friday along with the appointment of two new ministers for Agriculture and Communications.

Mr Kuczynski's nomination represents a blow for Mr Krzysztof Lis, who until now has spearheaded the Government's privatisation policies. Mr Lis had been promoted from running a small management consultancy office to the government privatisation unit.

He built it up from scratch and maintained good relations with Mr Leszek Balcerowicz, the Deputy Premier in charge of the economy.

In passing over Mr Lis, and virtually on the eve of Poland's first factory sales, Mr Mazowiecki has recognised that privatisation is as much a political as an economic process, which will be crucial to the success of his government.

Mr Kuczynski, who spent the best part of the 1980s at the French Ecole des Hautes Etudes en Sciences Sociales, has acted as Mr Mazowiecki's closest economic adviser over the past year. His appointment means that the Prime Minister will be able to monitor privatisation closely.

Mr Mazowiecki yesterday met leaders of the various groups in parliament in a bid to construct majorities for other nominations including the Communications Minister (expected to be chosen from the small Democratic Party) and the Farming Minister.

Here, Mr Mazowiecki, who already had a candidate rejected by parliament last July, wants to propose Mr Janusz Bylinski who is from Rural Solidarity.

The effect of the government changes will be temporarily eclipsed next Tuesday when, at the invitation of Cardinal Joseph Glemp, the Polish primate, the country's leading politicians will meet to agree a timetable for parliamentary and presidential elections which are likely early next year.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Berlin	C	16	61	Caracas	C	29	84	Faro	S	26	79	Islamabad	F	33	93
Algiers	S	33	93	Biarritz	S	22	73	Casablanca	S	26	79	Florence		–	–	Istanbul	R	16	61
Amsterdam	F	17	64	Bombay	F	30	86	Chicago	F	21	70	Frankfurt	C	16	61	Jakarta	F	33	93
Athens	R	18	66	Bordeaux	S	22	73	Cologne	C	13	57	Geneva	S	16	61	Jersey	S	20	68
Bahrain	S	36	97	Boulogne	F	20	68	Copenhagen	R	15	59	Gibraltar	S	27	82	Johannesburg	S	27	81
Bangkok	C	31	88	Brussels	S	16	61	Corfu	S	25	77	Glasgow	F	17	63	Lima	F	18	65
Barcelona	C	22	73	Budapest	F	17	63	Dallas	F	22	72	Helsinki	C	8	46	Lisbon	F	22	73
Beirut		–	–	Buenos Aires	R	17	64	Dublin	F	18	68	Hong Kong	C	27	82	London	F	17	64
Belfast	S	16	61	Cairo	S	32	91	Dubrovnik	F	21	70	Innsbruck	C	13	57	Los Angeles	S	19	66
Belgrade	C	13	57	Cape Town	C	13	57	Edinburgh	C	17	63	Inverness	C	15	59	Luxembourg	F	15	59

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	25	77	Milan		–	–	Nicosia	S	37	92	Salzburg	C	15	59	Tenerife	F	26	79
Madrid	S	27	81	Montreal	S	11	52	Oporto	S	25	77	San Francisco	S	13	57	Tokyo	S	32	91
Majorca	F	28	84	Moscow	C	10	50	Oslo	F	16	61	Seoul	F	26	79	Toronto	S	12	54
Malaga	S	30	86	Munich	S	16	61	Paris	S	21	70	Singapore	T	30	88	Tunis	F	27	82
Malta	F	27	81	Nairobi	F	22	72	Peking	S	28	84	Stockholm	C	12	54	Valencia	F	27	82
Manchester	S	17	63	Naples		–	–	Prague	F	15	59	Strasbourg	S	17	64	Venice	S	22	72
Manila	F	32	90	Nassau	F	29	84	Reykjavik	R	8	46	Sydney	F	21	70	Vienna	R	12	55
Melbourne	Dr	11	52	New Delhi	S	32	90	Rhodes	S	27	82	Taipei	F	33	93	Warsaw	C	12	54
Mexico City	C	23	73	New York	C	22	73	Rio de Janeiro	F	33	93	Tangier	S	27	82	Washington	F	22	72
Miami	F	27	81	Nice	S	23	75	Rome		–	–	Tel Aviv	C	27	82	Zurich	S	16	61

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

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INSIDE

FAI falls 70%

One of the worst years ever for general insurers has claimed its latest victim. FAI Insurances, the Australian insurance and investment group, saw profits plunge almost 70 per cent following a big underwriting loss in the June year. Bruce Jacques looks at results from a company which has been struggling to extricate itself from exposure to some of Australia's biggest corporate collapses. Page 19

The year the lights went dim

Eastern Europe has fallen into an energy trap. Not only has the Soviet Union reduced its energy supplies to the region this year, but the Gulf crisis has ruled out increased supplies from Kuwait and Iraq. To make matters worse, any country to which the Eastern Bloc turns for extra oil will require hard currency. The lights, though not quite going out, are certainly dimming throughout eastern Europe, reports Judy Dempsey. Page 27

High costs hit Savoy

The Savoy Hotel Group, the luxury UK hotel, restaurant and health farm company, saw first-half pre-tax profits decline to £5.3m ($9.8m) in the face of rising costs. Higher spending by overseas visitors managed to boost total sales 12.7 per cent to £45.6m, according to Giles Shepard, managing director. He warned, however, that the Middle East crisis and the strength of sterling against the dollar and European currencies would have an impact on the second half performance. Page 26

Goodman creditors meet

Banks which are owed money by Goodman International, Larry Goodman's beef processing group, yesterday met the examiner appointed by the Irish High Court. Goodman's group was last month given the protection of the court under newly-enacted legislation. This is the first time that the examiner system has been used in Ireland, and some banks are uneasy, reports Maggie Urry. Page 24

Gleeful Ratner up 12%

A slowdown in the UK economy failed to dampen the sterling performance of British jewellery chain Ratners which yesterday unveiled a 12 per cent rise in interim operating profits to £17.8m ($33m). At the pre-tax level, profits fell from £14.69m to £9.3m, although the previous year's figure included £7.35m of exceptional profits. Gerald Ratner, (above) chairman and managing director, gleefully announced: "We are still taking market share. The independents are collapsing." Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
BMW	487	+	5
Degussa	348	+	10.5
Porsche	985	+	15
Verein-West	390	+	22
Falls			
Brown Boveri	780	–	15
DLW	638	–	10

NEW YORK ($)

Rises			
Kansas Gas	25¾	+	1¼
MNC Fin	8	+	½
Texas Insts	29⅝	+	½
Falls			
Advanced Micro	5¾	–	¼
Oryx Energy	52⅝	–	1
Tenneco	55⅛	–	2⅜

New York prices at 12.30

PARIS (FFr)

Rises			
OFP	1400	+	59
Falls			
BSN	797	–	6
CCF	165.9	–	5.1
Ecco	365	–	13
Essilor	408	–	8
SILIC	729	–	15

TOKYO (Yen)

Rises			
Kanematsu	870	+	100
Kasei Elec	1580	+	200
Kurita Water	2200	+	300
Nissan Diesel	820	+	100
Pasco	1250	+	150
Toho Rayon	739	+	98

LONDON (Pence)

Rises			
Legal & Gen	389	+	10
Lookers	73	+	10
More O'Ferrall	187	+	17
Tibbett & Brit	270	+	17
Wellcome	510	+	12
Welsh Water	244	+	11
Wembley	79½	+	6
Falls			
BTR	318	–	40
Colorgraphic	140	–	10
Evered	98	–	7
Glaxo	738	–	20
Gowrings	72	–	22
Gt Western	215	–	15
Hall Eng	105	–	10
ICI	874	–	16
Orchid Tech	70	–	5
Reuters	850	–	29
Tottenham	96	–	12
Wyevale Gardens	305	–	23

Aon mounts rival bid for Corroon

By Nikki Tait in New York and Richard Lapper in London

AON Corporation, the Chicago-based insurance group, yesterday emerged as a rival suitor for Corroon & Black, the US insurance broking group, which is already in the throes of a merger with Britain's Willis Faber.

The Willis Faber deal was announced three months ago, and Aon's intervention comes just over a week after Willis Faber published its listing document for the merger, in which it would have a 60:40 majority.

Corroon and Willis shareholders were both set to approve the deal before the end of the month. The deal between the UK and US insurance broking groups would have created the fourth largest insurance broker worldwide.

Aon, however, said yesterday that it would be willing to offer $40 in cash for each Corroon share, topping the current value of the all-paper Willis offer, which it put at $33.49 a share. The offer would value Corroon overall at $840m.

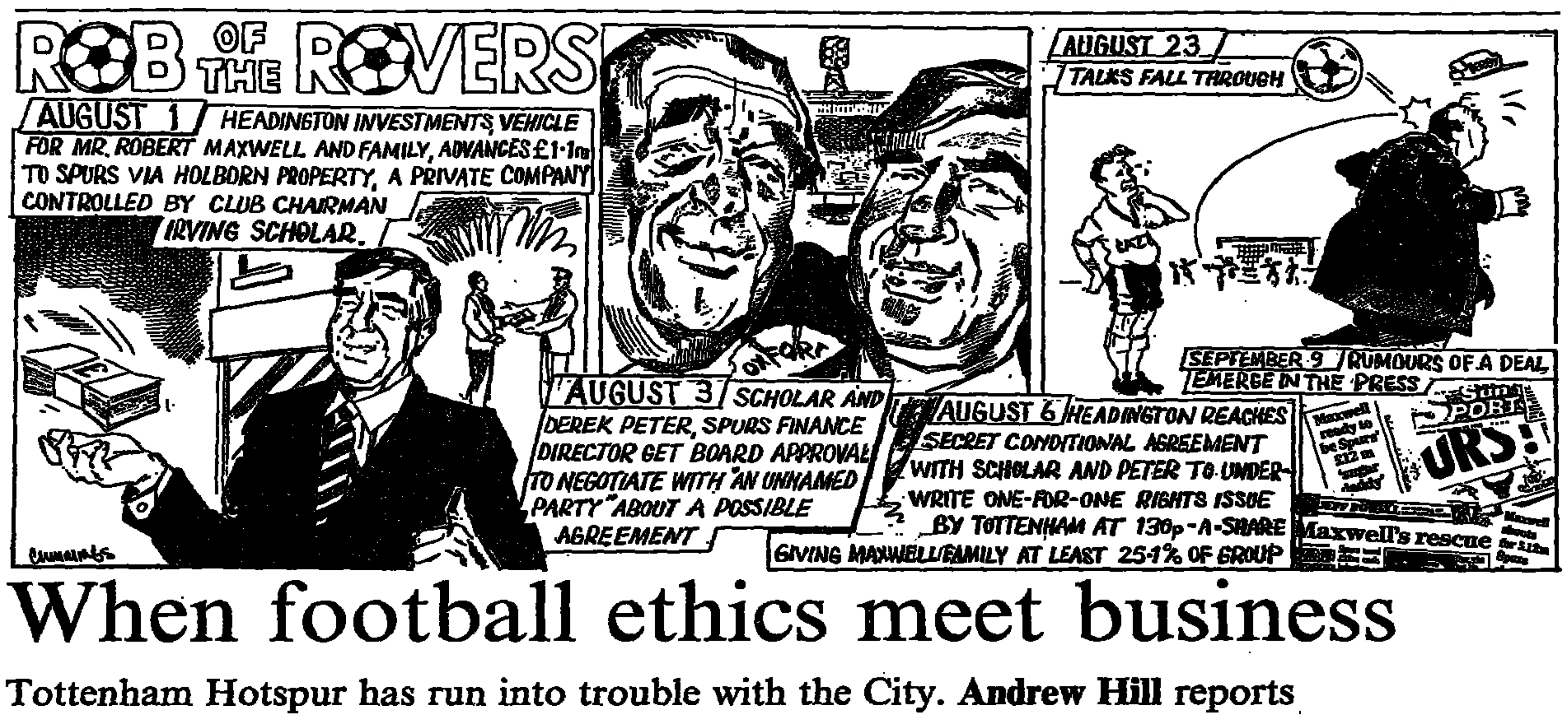
Under the merger agreement with Willis, Corroon is entitled to participate in negotiations with a third party if it believes that this might result in a "superior proposal". It can also terminate the Willis agreement in the face of a better offer, but must give the UK company 45 days notice.

Yesterday, Corroon said that the Aon proposal "would be given appropriate consideration by the Board."

Aon made its proposal in a letter from its chairman, Mr Patrick Ryan, to his counterpart at Corroon. This claimed that there were "significant potential advantages" from combining its own broking business, Rollins Burdick Hunter Group, and Corroon. He said: "the combination of our two organisations would create one of the largest insurance brokerage and risk management service firms in the United States . . . creating a firm which would be undoubtedly one of the premier professional organisations in the world."

Aon is a holding group that owns insurance and broking subsidiaries. Its broking subsidiary, Rollins Burdick Hunter, has made a number of acquisitions and is now the fifth largest broker in the US. Last year, Aon's revenues were around $2.3bn, and net profits stood at $232m.

Before agreeing its merger with Corron & Black, Willis Faber had maintained a link with another US broker, Johnson & Higgins. The two companies established the Unison network, which links international brokers, but discussions about union with Johnson & Higgins were dogged by the latter company's wish to remain independent.



When football ethics meet business

Tottenham Hotspur has run into trouble with the City. Andrew Hill reports

Regulators in the City of London are investigating the behaviour of Tottenham Hotspur, the quoted company which owns the first-division London football club.

News of a secret deal between the club – known to its supporters as 'Spurs' – and the publisher Mr Robert Maxwell was withheld from shareholders for more than a month.

Yesterday, a statement from Spurs only added to confusion surrounding the future of the company. It said Spurs would pursue discussions with Headington Investments, a vehicle for the Maxwell family, about the possible underwriting of a £13m rights issue. But the group did not make clear whether talks were already under way.

Spurs' shares, which rose to 111p on Monday following speculation about the Maxwell deal, slipped 12p to 96p yesterday.

The Stock Exchange and Takeover Panel are looking into the situation.

The Stock Exchange refused to comment yesterday, but if it decides to react, its most likely course is a public statement reprimanding Spurs for not passing potentially price-sensitive information on to all shareholders as soon as the secret deal with Mr Maxwell was struck.

Neither Mr Maxwell nor Spurs were available to comment yesterday, but the company's statement revealed that Mr Irving Scholar, a director and the club's chairman, reached a secret agreement with Headington at the beginning of August.

Under the terms of that deal, Headington would have been left with at least 25.1 per cent of Tottenham following a one-for-one rights issue at 130p a share. Talks, which only involved two of Tottenham's seven directors, fell through on August 23.

"Mr Maxwell has indicated to Mr Scholar that Headington may be prepared to recommence discussions," the group said yesterday.

It also emerged yesterday that Headington had already advanced £1.1m to Mr Scholar's private company, which then loaned the money to Tottenham, to be repaid on or before October 29. The statement said certain Spurs directors had "only recently become aware" of this transaction and said a circular would be sent to shareholders as soon as possible providing more details. A special meeting of shareholders will also be called to ratify the loan agreement.

The area where soccer meets the City is rather like that no man's land on the football terraces between two snarling groups of opposing fans: sparsely populated and difficult to police.

Although wads of cash change hands weekly in the world of football, there are still only three British clubs quoted on the Stock Exchange.

Mr Guy Libby, a director of the private investment company Abingdon Management, is no stranger to the grey area between City and soccer. With associates, Abingdon owns about 6 per cent of Spurs, and some 10 per cent of the unquoted London club Crystal Palace.

In the last few days, he has been a vociferous critic of what he describes as "the extraordinary goings-on" at Spurs.

It is not even obvious whether talks between Mr Maxwell and Spurs are still continuing, and, if they are, what chance there is of a successful outcome.

Neither Mr Irving Scholar, Spurs' chairman, nor the publisher were available for comment yesterday.

The group is adamant that the original agreement that Mr Maxwell's vehicle, Headington Investments, should underwrite a £13m rights issue was in "full compliance with the Regulations of the Football League."

Whether the talks complied with the Regulations of the International Stock Exchange or the Takeover Code is a different matter. It seems Barclays de Zoete Wedd, Spurs' stockbroker, was only asked formally to advise on any proposals on Tuesday.

Unfortunately for shareholders, even if the Stock Exchange shares its irritation about the continuing uncertainty, and decides to censure Spurs for its behaviour, a slapped wrist is unlikely to have an effect on the club's modus operandi.

As Mr Libby put it yesterday: "This gets to the nub of the question of whether football clubs should be quoted: the way things are done at soccer clubs is different from the way things are done at quoted companies."

American Airlines' spells out gloom

by Nikki Tait in New York

A STINGING warning about prospects for the US airline industry during the second half of this year, and in the 12 months ahead, was issued yesterday by Mr Bob Crandall, chairman of American Airlines.

Mr Crandall made a forecast to analysts that results from his own airline would be "stinko" in the second six months of 1990, as the industry faces mounting labour and fuel costs.

He said the recent weakness in domestic traffic was likely to be aggravated by pricing pressures: "As ticket prices go up – as inevitably they must", the decline in demand could only worsen, he said.

Mr Crandall also made gloomy predictions for the whole industry next year, saying that American Airlines, along with other carriers, was facing "tremendous adversity". "AMR won't set any records for profits in 1991, as won't other carriers," he said.

The remarks contributed to a small fall yesterday in the shares of AMR, American Airlines' parent company, on Wall Street, down 75 cents at $43.75. Prices of other airline stocks were mixed.

Analysts appeared to greet Mr Crandall's remarks as confirmation of problems in the US airline industry. "I think its a very valid assessment," said Ms Candace Browning, an analyst with Wertheim Schroder, "but I'm not really surprised."

The problems are the rising costs of labour, facilities and fuel coupled with the difficulty of passing these on to customers in a sector plagued by overcapacity.

Even before the Kuwait crisis, Airline Economics, the East Coast consultancy, was predicting little more than break-even for the whole industry in 1990.

American itself – viewed as one of the less troubled carriers – saw net profits fall from $278.9m or $4.43 a share, to $109.9m or $1.75 a share in the first half of the year.

Some analysts had already downgraded their estimates for the full year before Mr Crandall's remarks to about $4 a share, compared with $7.16 in 1989. However some are now suggesting as little as $2.10-$2.20.

The AMR boss also put a question-mark over the company's investment intentions. He emphasised that out of a $21bn five capital programme – of which $15bn is due to go on aircraft – only $8bn is committed. "If we can't make money with the assets we've got, it makes no sense to acquire more assets," he said.

Bertelsmann plans heavy investment in E Germany

By David Goodhart in Gütersloh

BERTELSMANN of West Germany, the world's second largest media and publishing group, will invest hundreds of millions of D-Marks in East Germany during the next three years to build up its book club, newspaper and TV activities there, according to Mr Mark Wössner, chief executive.

Mr Wössner was yesterday announcing preliminary figures for 1989/1990 in which sales rose 6.7 per cent to DM13.3bn ($8.3bn), operating profits rose 10.3 per cent to DM1bn, and net income rose 26.9 per cent to DM510m. He also said the 1990/1991 forecast for sales of DM13.7bn and net income of DM530m could be surpassed.

The company has completed a self-imposed phase of consolidation, following two major US acquisitions, Doubleday Group and RCA, in 1986/87, said Mr Wössner. He added, however, that there would be no return to the growth rates of the 1970s or 1980s and that future growth would be "qualitative." Nevertheless, "a period of relative investment restraint" is now ending and, in addition to expansion plans in East Germany, the company is planning to spend DM400m on building an additional high-quality paper plant at Riva in northern Italy.

Also, a total of between DM330m and DM360m will be invested in the new "Premiere" Pay-TV channel, in which Bertelsmann has a 37.5 per cent stake. Mr Manfred Lahnstein, board member for electronic media, said he expected 100,000 subscribers at the start, rising to 1m in three to four years.

Mr Lahnstein said that he would have preferred a clause permitting private television and radio in East Germany in the unity treaty. The lack of such a clause means some delay as each of the five new states draws up its own regulations.

Bertelsmann already has 400,000 East German members of its book clubs – part of the "core" business along with magazines, the music business, book publishing and technical operations. It hopes to have 1m East German book club members soon to add to the 25m members of book and record clubs worldwide (4m in West Germany).

Bertelsmann has 27 per cent of total sales in the US compared with 33 per cent in Germany and 36 per cent in the rest of Europe. The US will continue to be a focus of expansion.

Fastest growing divisions, apart from electronic media, were music and video, up 11 per cent to DM3.2bn, and printing and manufacturing, up 7.5 per cent to DM2.6bn.

Investments 1989-90 were down from DM687m to DM588m. Debt was down from DM1.10bn to DM593m, and the equity ratio has risen to 26.1 per cent.

The pay-out to holders of profit-sharing certificates should be 15 per cent, the same as last year. The majority of voting shares are held by Bertelsmann Foundation.

BTR shares fall on interim result

By David Owen in London

SHARES OF BTR lost more than 11 per cent of their value yesterday as the UK-based industrial conglomerate submitted an uncharacteristically mediocre set of interim results.

The shares slid 40p to 318p as the market disregarded chief executive Mr John Cahill's assertion that the figures constituted "a BTR classical performance."

Since Saint-Gobain of France topped BTR's hostile $1.64bn bid for Massachusetts-based Norton on April 25, the thwarted suitor's market capitalisation has dropped by about a quarter.

Pre-tax profits for the group, whose products include Pretty Polly hosiery, Schlegel automotive seals and BAE baggage handling equipment, advanced to £530m ($996.4m) from £497m in the first half of 1989 – an improvement of 6.6 per cent.

This followed a switch to the use of average exchange rates, as opposed to period-end rates, for translating the results of overseas operations. Without this change, taxable profit would have totalled only £516m, against £513m as originally reported a year earlier.

First-half sales edged ahead by 2.5 per cent to £3.47bn (£3.39bn). According to Mr Christopher Bull, finance director, the gain was entirely due to acquisitions.

Looking ahead, Mr Cahill predicted that the group would "outperform its peers and continue to perform well when others falter."

"Difficult markets have historically created good acquisition opportunities for BTR," he said, suggesting that the current downturn was "more broadly based" than its early 1980s counterpart. "We expect the same result from this downturn, but not just yet. Prices of businesses will continue to soften."

While yesterday's figures were less than sparkling in other respects, the group did succeed in increasing its return on sales to 17.4 per cent from 16.4 per cent last time.

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Parfinance in one-off surge to FFr949m

PARFINANCE, the French holding company, announced yesterday that first-half unconsolidated net profit soared to FFr949m (US$178m) from FFr111m in the same period last year, AP-DJ reports.

The unit of Swiss-based Pargesa Holding said that the surge was spearheaded by a one-off, after-tax gain of FFr789m from previously reported asset sales.

The disposals included Pargesa's 28 per cent stake in Paribas Suisse to Financière de Paribas in April for an undisclosed sum that analysts estimated at close to SFr300m.

Parfinance noted that "because of disposals made after June 30 1990 the amount of long-term capital gains that can be expected for the full year is significantly higher."

Parfinance also announced that its chairman, Mr Gérard Eskénazi, stepped down at a board meeting on September 10. Mr Eskénazi's resignation had been widely anticipated after disagreements about strategy with the group's two other main shareholders, Belgian financier Mr Albert Frère and Canadian financier Mr Paul Desmarais.

BAe 1% earnings drop lifts shares

By Paul Betts, Aerospace Correspondent, in London

BRITISH Aerospace yesterday reported a 1 per cent fall in pre-tax profits to £146m ($270.1m) for the first half of this year. It also expressed confidence that profits for the full year would show "comfortable" growth over 1989 levels.

The first-half earnings were driven by strong growth in BAe's military and civil aircraft operations and were at the top end of City expectations.

BAe share prices rose 17 pence at one stage yesterday in response to the results, before slipping back to close 11p higher at 563p on the day.

Professor Roland Smith, BAe's chairman, said he expected BAe's pre-tax earnings this year to be "comfortably ahead" of the £333m profits reported in 1989. City analysts are estimating pre-tax profits in the range of £370m-£385m for the year.

First-half earnings included a £24m exceptional charge reflecting the costs of the engineering strikes that hit the company earlier this year. Excluding exceptional items, pre-tax profits were 83 per cent higher at £170m compared with first-half pre-tax profits, excluding special items, of £113m last year.

Trading profit increased by 36 per cent to £234m from £172m in the first half, while sales rose 20 per cent to £4.79bn against £4bn.

Defence remained the biggest contributor to earnings, with trading profits of £177m compared with £106m in the first half last year. The group is benefiting from the maturing of the Hawk and Tornado military aircraft programmes and from growth in military support services.

Mr Dick Evans, BAe's chief executive, said the company expected potential sales of £16bn to £20bn over the life of its present Saudi Arabian arms contract between now and 1999. That assessment, made before the Gulf crisis began, could clearly be affected by the situation in the Middle East, Mr Evans pointed out.

The group's commercial aircraft operations now represented the biggest and fastest growing sector of BAe's businesses, he added. These activities showed a £15m trading profit in the first half.

Mr Evans said the group was encouraged by the progress of the financial situation at Airbus, the European aircraft consortium in which BAe holds a 20 per cent interest.

Trading profits at BAe's Rover Group car subsidiary fell 26.7 per cent in the first half to £33m compared with £45m the year before. The decline reflected a large fall in profit from associated companies following the disposal of the car group's stake in Istel, the computer software company, and part of its 40 per cent stake in Daf, the Dutch commercial vehicles maker.

Trading profit in BAe's property development and construction activities fell to £9m in the first half from £13m in the same period last year. Space systems and communications showed a £3m loss in the first half compared with a £4m profit the year before.

Mr Evans confirmed the continuing rationalisation of BAe plants, implying further closures.

Both Professor Smith and Mr Evans emphasised the group was seeking to expand its operations in the US and was pursuing an active policy of international collaboration.

Per share earnings after exceptional items totalled 35.6p against 35.7p and 41.2p from 22.5p excluding these special items. The company is increasing the interim dividend by 10 per cent to 8.9p per share.

South Africa publishes takeover regulations

By Philip Gawith in Johannesburg

SOUTH AFRICA this week published regulations governing takeovers and mergers which will bring the country's financial markets more into line with overseas practice.

The regulations are published in terms of the Securities Regulation Code on Takeovers and Mergers, which was drafted by the newly-formed Securities Regulation Panel, chaired by Mr Justice Cecil Margo.

The Government Gazette says the code is "based to a large extent" on the similar code which governs such dealings in the UK.

Previously a lack of regulation and clarity, especially concerning what constitutes control, has allowed predators to build up large stakes in companies without having to make an offer to minorities.

The draft rules will operate "principally to ensure fair and equal treatment" of all holders of relevant securities involved in a takeover or merger and lay down under what conditions an offer must be made.

In terms of the gazette's definition, a level of 30 per cent or more of the voting rights of a target company will constitute control. Thus, as with the UK's 30 per cent rule, when any investor comes to have 30 per cent or more of a company's voting rights – whether by a series of transactions or otherwise – the investor must, unless the panel rules otherwise, extend offers to "any class" of equity capital holder, voting or non-voting.

Offers will be "for the same consideration or be accompanied by a cash alternative at not less than the highest price paid by the offerer or any person acting in concert with it for securities of that class within the preceding twelve months."

The board of the target company must not take any action that might frustrate holders of the securities or deny them the chance to judge the offer on its merits.

Concerning insider dealing, all persons involved in an offer or contemplated offer shall "conduct themselves so as to minimise the chances of an accidental leak of information."

The rules are now open for comment for a period of a month after which a final draft will be gazetted. The Minister of Trade and Industry's approval is required before they come into effect.

Grolsch sales up 9% as profits hit Fl 10m

GROLSCH, the Dutch brewer, said its net profits in the first half of the year rose by 13 per cent to Fl 10.4m (US$5.8m) from the year-earlier level of Fl 9.2m, AP-DJ reports.

Thanks to a larger market share in the Netherlands and increased exports, sales rose 9.2 per cent to Fl 214.5m from Fl 196.4m. However, Grolsch warned that growth in net profits would slow in the second half of the year because of higher costs.

BP France tumbles after writedown

SOCIETE Française des Petroles (BP France) said that its consolidated net profit after payments to minority interests for the first half of 1990 fell to FFr186m (US$35m) from FFr725m a year earlier, AP-DJ reports.

The French unit of British Petroleum said the sharp decline chiefly reflected a FFr354m writedown in the value of its stocks of crude oil and petroleum products.

The writedown was made to reflect weak oil prices in the first half of the year.

The oil company said that it was probable that the rise in oil product prices since the beginning of August following events in the Gulf would enable it to wipe out the stock depreciation registered in the first half.

Current operations from its oil activities showed a profit of FFr170m, their first profit since 1986, despite losses in the company's distribution activities due to strong competition.

Revenue from the oil business rose to FFr7.37bn from FFr7.07bn in the first half of 1989.

BP France said it had recorded a gain of FFr645m from the sale of its French exploration and production activities to Société Nationale Elf Aquitaine, but it said that this will show up in its second-half accounts.

Ferruzzi arm takes 3% of Parmalat key holding

ERIDANIA Zuccherifici Nazionali, an agri-industrial subsidiary of Italy's Ferruzzi Group, has taken a 3 per cent stake in what will become the main holding of the Parmalat food group, Parmalat announced yesterday, AP-DJ reports.

At the same time, an international consortium of investors has jointly taken an additional 3 per cent shareholding under a financial restructuring plan to re-launch the Parma-based dairy products manufacturer.

Terms of the acquisition were not immediately disclosed.

The international investors include Charterhouse European Managers, the Charterhouse investment bank, the investment arm of the Royal Bank of Scotland and the European Special Situation Fund of Botts & Co, Parmalat said in a statement.

The international placement is being co-ordinated by Morgan Stanley.

The object of Eridania's acquisition, Finanziaria Centro Nord (FCN), is in the process of becoming the main financial holding of Parmalat. Under a complex financial restructuring announced in July, FCN will increase its control of Parmalat to more than 75 per cent from 20 per cent through a L583bn (US$494m) capital increase. FCN, which is listed on the Milan stock market, will be renamed Parmalat Finanziaria.

Eridania, which registered consolidated net earnings of L298bn on sales of L8,900bn in 1989, produces sugar, starches, oils, proteins and animal fodder.

The restructuring operation is being managed by Milan-based merchant bank Akros, which took a 5 per cent stake in FCN in July.

Eridania, Charterhouse and Botts & Co will all have a representative on FCN's board of directors, the statement said.

In the first six months, Parmalat registered operating profit of L67bn, up 24.9 per cent from L53.7bn at the end of June last year. First-half sales totalled L469bn, up 17.4 per cent.

Renault entourage visits Prague to try to win Skoda deal

By Kevin Done in London and William Dawkins in Paris

RENAULT, the French state-owned car maker, is stepping up its campaign to buy a stake in Skoda of Czechoslovakia, the most advanced eastern European car maker, in a battle against Volkswagen of West Germany.

Mr Raymond Lévy, Renault chairman and chief executive, starts a two-day visit to Prague today as part of a powerful French delegation led by President François Mitterrand and five Government ministers, including Mr Roland Dumas, in charge of Foreign Affairs, and Mr Roger Fauroux, responsible for industry.

The French delegation also includes the chairmen of other large French companies including Bull, the computer maker, and the Crédit Lyonnais bank.

Mr Lévy will be accompanied in Prague by Mr Pehr Gyllenhammar, chairman and chief executive of Volvo, the Swedish car and truck maker, which is entering into a far-reaching alliance with the French group.

Under the terms of the Renault/Volvo arrangement, which is expected to be finalised this autumn, the two companies have the right to veto each other entering into alliances with other vehicle makers.

"Renault is interested in Skoda. Volvo will soon own 25 per cent of Renault's car operations so it is natural that we are part of the negotiations," said a Volvo representative.

Renault and VW have emerged as the chief rivals to enter a deal with Skoda, which is seeking a joint venture partner to inject finance and technology.

Skoda, which produced 183,000 cars last year, has been one of the main targets for western car makers seeking an entry into eastern Europe.

A decision on the deal is expected from the Czechoslovak Government in October.

Mr Zdenek Patocka, Skoda deputy general manager, who is leading the joint venture negotiations, said earlier this year that Skoda would prefer to keep majority control of any joint venture and that it was keen to maintain the Skoda marque.

"We would prefer initially not to lose control, and we want to keep the brand name. There is no final decision, however, and it could be possible for the state to give up majority control," he said.

Of Skoda's output of 183,000 cars last year, some 50,000 were exported to western markets, led by the UK with 13,600.

Beijer takes 49% interest in French bar-code concern

By Robert Taylor in Stockholm

BEIJER INDUSTRIES, the Swedish industrial group controlled by the financier Anders Wall, announced yesterday that it had taken a 49 per cent stake in Barcode International, a company based in Paris, for an undisclosed price.

Barcode, a leading producer of bar-code scanners and systems in Europe, has annual sales of about SKr180m ($31m). Half its sales are outside France, mainly in the US.

Beijer's involvement with Barcode strengthens the Swedish group's interest in bar-code manufacturing. It is already the sole owner of Atech, based in Gothenburg, which is a leading European producer of bar-code printers and systems with yearly sales of SKr350m.

Atech had been successful in supplying the world airline industry with printers, Beijer said yesterday. More than 20 airlines have acquired Atech baggage tag printers.

■ Stora, the Swedish forestry group, said it would soon carry out its offer to buy the outstanding 15 per cent shares of Feldmühle Nobel, Reuter reports.

Mr Bo Berggren, chief executive, said Stora would offer DM504 per share. On Wednesday Feldmühle shares closed up DM4 at DM506.

JOINT COMPANY ANNOUNCEMENT

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED (AAC)
(Registration No. 01 05309 06)

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED (Amgold)
(Registration No. 05 09084 06)

VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED (Vaal Reefs)
(Registration No. 05 17354 06)
(all of which are incorporated in the Republic of South Africa)

MOAB AREA - PROPOSED EXTENSION TO VAAL REEFS MINING LEASE AREA

On 9 February 1990 application was made for mining leases over the Moab area which amounts to some 2 149 hectares. Interests in the rights over this area are held principally by AAC and its associates.

The Minister of Mineral and Energy Affairs has agreed to grant mining leases over the area, which is contiguous to Vaal Reefs, to be mined as an extension to the Vaal Reefs lease area. In accordance with the application the approval is subject to the mining leases being ceded, firstly to a company to be formed and thereafter to Vaal Reefs.

As previously announced the shaft will, for technical reasons, be situated within the existing Vaal Reefs lease area. As part of an ongoing process of optimising returns and to take account of changing economic circumstances, the mining plan and capital scheduling of the project are being reviewed. Following completion of these exercises, the terms of the arrangements between the holders of the mining leases and Vaal Reefs, the method of funding the project and details of the company to be formed will be finalised and announced and the required cessions of the mining leases will be registered.

Registered Office:
44 Main Street
Johannesburg 2001

London Office:
40 Holborn Viaduct
London EC1P 1AJ

13 September 1990, Johannesburg

COMPANY ANNOUNCEMENT

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED ('Amgold')
(Incorporated in the Republic of South Africa)
Registration No. 05 09084 06

PROPOSED RIGHTS OFFER TO MEMBERS

The directors of Amgold announce that they intend recommending to members that the company undertakes a rights offer of shares to raise approximately R500 million.

The directors consider that the company requires this injection of new capital to take advantage of attractive investment opportunities under consideration. This confirms their confidence in, and long-term commitment to, the gold mining industry. Part of the capital so raised will be used initially to repay the company's short-term borrowing.

As a first step it will be necessary to convene a general meeting of members to convert the company's unissued redeemable cumulative preference shares into S ordinary shares. However, experience has shown that S ordinary shares are not freely traded and accordingly those S ordinary shares which are subscribed for by persons other than Anglo American Corporation of South Africa Limited (AAC) will then be exchanged for ordinary shares in Amgold held by AAC at no additional cost to such persons. It is intended that a circular in this regard will be despatched to shareholders on 28 September 1990, convening a general meeting of the company for 22 October 1990. Subject to the necessary approvals of shareholders at this meeting the following will be the salient dates for the rights offer:

Rights offer terms released	Monday 22 October
Last day to register for rights offer	Friday 26 October
Rights offer opens	Friday 2 November
Renounceable letters of allocation posted	Friday 2 November
Rights offer closes	Friday 23 November

Should there be any changes to the above mentioned dates an announcement to this effect will be published in the press.

The offer will not be registered with the Securities and Exchange Commission, Washington D.C. or the Securities Commission of Canada, and accordingly the offer will not be made to, or be open for acceptance by, persons with registered addresses in the United States of America or any of its territories or in Canada. The rights which are therefore not available for acceptance by such members will, if possible, be sold on The International Stock Exchange in London or The Johannesburg Stock Exchange through an independent merchant bank for the account of such members. Details of the arrangements in this regard will be sent to members with registered addresses in the United States of America or any of its territories or in Canada.

Registered Office:
44 Main Street
Johannesburg 2001

London Office:
40 Holborn Viaduct
London EC1P 1AJ

13 September 1990, Johannesburg

To the Holders of WARRANTS OF

SMK CORPORATION

U.S. $60,000,000
5⅝% Guaranteed Bonds due 1992

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(A) of the Instrument dated 9th November, 1988, under which the above described Warrants were issued, you are hereby notified that a free distribution of shares of the Company at the rate of 0.05 share for each one share held will be made to shareholders of record as of 30th September, 1990 (Japan Time).

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants from 744.00 Japanese Yen to 708.60 Japanese Yen effective as of 1st October, 1990 (Japan Time).

The Industrial Bank of Japan Trust Company
as Disbursement Agent
for and on behalf of:
SMK CORPORATION

Dated: 13th September, 1990

LEGAL NOTICE

A T CONTINENTAL LIMITED

Registered number: 371195
Former company name:- Aberrant Transport (Rhigos) Limited
Nature of business: Road Transport
Trade classification: 25
Date of appointment of joint administrative receivers: 30 August 1990
Name of person appointing the joint administrative receivers: Barclays Bank Plc
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(Office holder nos 058 and 382) of Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

BOUGHTON COLD STORE LIMITED

Registered number 780345
Nature of business
Cold Storage Warehousemen & Distributors
Trade classification: 15
Date of appointment of joint administrative receivers
29 August 1990
Name of person appointing the joint administrative receivers
National Westminster Bank Plc
NICHOLAS ROGER BROMFIELD GODDEN and MARCOS PALIOS
Joint Administrative Receivers
(Office holder nos 2403 and 5701)
Cork Gully
Oriel House
55 Sheep Street,
NORTHAMPTON,
NN1 2NR.

American Savings and Loan Association

U.S. $200,000,000
Collateralized Floating Rate Notes Due 1996

Notice is hereby given that the Rate of Interest has been fixed at 8.275% p.a. and that the interest payable on the relevant Interest Payment Date March 13, 1991 against Coupon No. 9 in respect of U.S.$100,000 nominal of the Notes will be U.S.$4,160.49 and in respect of U.S.$250,000 nominal of the Notes will be U.S.$10,401.22.

September 13, 1990 London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

Aoki ends talks over Swissair's hotels arm

By William Dullforce in Geneva

AOKI Corporation of Japan has broken off negotiations for the purchase of Swissair's hotel interests.

The airline group announced yesterday that its subsidiary, Swissair Associated Companies, and Aoki had agreed on Tuesday not to proceed with the sale of Swissôtel "in view of recent uncertainty in world financial market conditions."

An important factor in Aoki's decision is understood to have been the depreciation of the yen against the Swiss franc since the price was agreed in a letter of intent signed in March. Another is the drop in the Aoki share price in Tokyo.

The purchase price was not disclosed but analysts estimated that Aoki must have agreed to pay at least SFr500m (US$383m) for Swissôtel, which holds interests in 12 hotels worldwide and has management contracts for a further four.

Among the hotels outside Switzerland wholly or partially owned by Swissôtel are the Drake in New York, the Lafayette in Boston, three Swiss Grand hotels in Chicago, Atlanta and Seoul and the Bosphorus Swissôtel in Istanbul.

The talks had been protracted because of the complex nature of a transaction covering 28 companies in various jurisdictions and the application of US contract principles, Swissair said.

Aoki, a Japanese construction company with a large international business, owns Westin Hotels and Resorts which operates 67 hotels in 11 countries, mainly in north and central America and in the Far East. It owns a further nine under the Caesar Park name.

Swissair said it was keeping open all options for its hotel interests. The options included the sale of the whole or parts of Swissôtel or the finding of a partner.

News of the collapse of the sale comes at a bad time for Swissair. The airline reported a pre-tax loss of SFr99m for the first six months of the year.

It has called in McKinsey, the US consulting group, to help it overhaul its organisation and trim costs.

FAI posts 70% drop in earnings

By Bruce Jacques in Sydney

FAI Insurances, the Australian insurance and investment group, has suffered a big underwriting loss in the year to June, savagely cutting group earnings and eating into shareholders' funds.

The company, which has been struggling in recent years to extricate itself from exposure to some of Australia's biggest corporate collapses, reported net profits down 69.6 per cent to A$18.24m (US$15m) from A$60m.

Mr Rodney Adler, the company's chief executive, said the results reflected one of the worst years for general insurers, exacerbated by high interest rates and the stock market malaise.

"Our general insurance operation incurred an underwriting loss of A$72.3m primarily as a result of the extremely bad weather conditions on the east coast of Australia, including such disasters as the Newcastle earthquake," he said.

Mr Adler said premium income had increased by 17.8 per cent to A$635.1m and provision for outstanding claims had been raised by 13.6 per cent to A$710.8m.

FAI's figures disclosed that shareholders' funds fell from A$532.5m to A$514.9m in the year, which Mr Adler said reflected a downward revaluation of the company's property portfolio.

The company is dipping into reserves to maintain yearly dividend at 9 cents a share, but the payout will reduce from A$31.3m to A$20.5m because of a 5 cent special dividend paid last year.

The result contained no abnormal or extraordinary items and the company held its interest bill almost steady at A$58.6m in the year. Depreciation took A$14.7m against A$7.8m previously and tax of A$16.2m compared with A$61.8m.

● National Commercial Union, another large Australian general insurer, crashed into the red in the year to June, turning a A$20.6m net profit into a A$27.8m deficit. Directors disclosed an underwriting loss of A$105m, reflecting natural disasters.

Adsteam rise checked by Bell stake write-off

By Bruce Jacques in Sydney

THE TWO companies at the top of the complex corporate structure run by the Sydney-based entrepreneur, Mr John Spalvins – The Adelaide Steamship Company and David Jones – have reported net earnings increases for the year to June.

However, Adelaide Steamship (Adsteam) was held to a 10 per cent rise in net earnings, to A$220.3m (US$179.1m) from A$200.9m, by another write-off of its holding in Bell Resources, formally controlled by Mr Alan Bond.

Adsteam has made a A$A50m provision against the fall in value of Bell Resources shares, bringing total provisions to A$80m on the company's total A$188m investment.

That brings the book value of shares in Bell Resources, which is trying to buy the Bond brewing interests in partnership with the Lion Nathan group of New Zealand, to 98 cents a share.

That compares with a market price of just 27 cents, but Mr Spalvins said yesterday he was confident that the value of the shares could be restored over time. The write-down meant yearly dividend had to be cut from A$1 to 61 cents a share, but payout will still rise on bonus-increased capital.

Mr Spalvins said the main source of income and cash flow was the dividend stream from associated companies – David Jones, Petersville Sleigh, Tooth & Co and National Consolidated.

He said the Australian Tax Office had claimed A$28.8m of interest and penalties from the company, but legal advice suggested the claim could be defended. Consequently, no provision was included in Adsteam's stated tax bill of A$13.8m against A$38.8m previously.

The result also reflected a jump in the company's interest expense to A$122.4m from A$75.1m. Total revenues rose to A$1.47bn from A$994m.

David Jones, the group's department store and investment arm, reported a 38 per cent advance in net earnings to A$253.4m from A$183.6m, achieved on a sales rise of just 2.4 per cent to A$1.3bn.

Directors said retail margins were maintained, but the result included an unspecified contribution from sale of the large group holding in leading Australian bank shares.

As with other parts of Mr Spalvins' empire, David Jones was restructured during the year, especially following the takeover of Industrial Equity, the former corporate raider, which controlled Woolworths, Australia's second largest volume retailer.

"As a result of the investment in Industrial Equity, and the substantial reduction in passive investments in insurance and banking stocks, David Jones' future profitability will be significantly related to the retail sector," the directors said.

"The direct and indirect investment in Woolworths will result in David Jones being entitled to approximately 72 per cent of Woolworths' profit."

The David Jones result was after tax earnings of A$26m against a A$38.5m benefit previously. There were again no extraordinary items.

Telekom Malaysia flotation to proceed

By Lim Siong Hoon in Kuala Lumpur

TELEKOM Malaysia, the state-owned telecommunications monopoly, yesterday dismissed speculation that it would postpone its privatisation flotation later this year, saying it would go ahead with the plan in spite of market jitters about the Gulf crisis.

In the formal announcement to float 25 per cent of its share capital to raise M$2.5bn (US$930m), Telekom also unveiled its 1989 results and forecasts for 1990 and 1991.

Profits for 1989 advanced by 103 per cent to M$366m from 1988's M$180m. All profits are tax free. Operating revenues for 1989 rose 14 per cent to M$2.1bn from M$1.9bn.

Profits for the first half of 1990 amounted to M$256m, and the group expects profits for the whole of the year to come to M$500m, with those for 1991 at M$900m.

Telekom attributed the 1989 growth to an aggressive sales policy and a trimming of operating expenses to M$941m from M$944m.

There has been market speculation that the flotation would be put off by Telekom because the composite indices on the Kuala Lumpur Stock Exchange have lost 16 per cent since the Iraqi invasion of Kuwait last month.

One concern was over the unprecedented size of the issue.

However, Mr Rashdan Baba, executive chairman of the company, said yesterday that he believed the domestic economy to be fundamentally strong. He also said that he thought the response to the issue would be positive.

Telekom is issuing 500m shares – 470.5m in October and the balance later – under an option scheme for company executives. The group withheld details about the distribution of shares, all of which will go to local investors.

The Government, which is to retain a majority shareholding, has agreed to consider foreign equity partnership but has yet to announce its decision.

British Telecom, American Telephone & Telegraph of the US, and Nippon Tealegraph and Telephone of Japan are thought to be interested.

If the foreign companies succeed, they will probably have to pay a premium over the issue price to the Malaysian public of M$5 a share and net tangible assets per share of M$5.40.

The group's 28,000 employees are promised a 5 per cent stake, or 100m shares, in line with government policy. Domestic state-operated institutions are likely to pick up about half the issue.

Telekom plans to use M$1.8bn of the proceeds to prepay part of its debt, which totalled M$4bn last December. Most of it is owed to the Government. The M$1.7bn balance will serve as working capital. The group's had assets last December of M$7.6bn.

NEWS IN BRIEF

■ **Mitsubishi Bank**, a leading Japanese city bank, may sell stock in its San Francisco subsidiary to help meet international capital ratio rules, Reuter reports from Tokyo.

Mitsubishi is considering a private placement of shares in Bank of California, which it bought in 1984 for $284m, but details have not been decided.

■ **Hysan Development**, the Hong Kong property developer, yesterday posted a 20 per cent rise in first half net profits to HK$271m (US$34.9m) from HK$225m previously, AP-DJ reports from Hong Kong.

Earnings per share climbed 21 per cent to 6.26 cents from 5.19 cents, while turnover increased 16 per cent to HK$453m from HK$389m.

■ **Renong**, a small loss-stricken Malaysian group, has won shareholder approval to take over prime assets linked to Umno, Malaysia's ruling political party, amounting to M$1.23bn (US$456.6m), in the country's largest corporate deal, Reuter reports from Kuala Lumpur.

"Everything [all resolutions] was approved unanimously," Mr Aminuddin Yusof Lana, a Renong director said.

■ **Poseidon Gold**, the gold mining unit of Poseidon, the Australian resources group, is to offer about 42m of its shares at A$2.40 each to fund its purchase of a 19.99 per cent stake in Newmont Australia from Newmont Mining of the US, Reuter reports from Sydney.

The issue is expected to raise A$100m (US$81.6m). The shares will be placed with institutions and investors, with no single investor holding more than 7 per cent of expanded capital.

■ **Asiana Airlines**, South Korea's second civil air carrier, is to set up with Scandinavian Airlines System (SAS) an in-flight catering service joint venture company, AP-DJ reports from Seoul.

PUBLIC WORKS LOAN BOARD RATES

Effective September 12

Years	Quota loans repaid by EPI†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			13⅝			14⅜
Over 1 up to 2	13⅜	13⅜	12¾	14⅜	14⅜	13½
Over 2 up to 3	12⅞	12⅞	12⅜	13⅞	13⅞	13⅛
Over 3 up to 4	12⅝	12½	12¼	13⅝	13½	13
Over 4 up to 5	12⅜	12⅜	12⅜	13⅜	13⅜	13⅛
Over 5 up to 6	12⅜	12¼	12⅜	12⅞	12¾	12⅞
Over 6 up to 7	12¼	12¼	12⅜	12¾	12¾	12⅞
Over 7 up to 8	12¼	12⅜	12⅜	12¾	12⅞	12⅞
Over 8 up to 9	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 9 up to 10	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 10 up to 15	12⅜	12⅜	11⅞	12⅞	12⅞	12⅜
Over 15 up to 25	12	11⅝	11⅜	12½	12⅛	11⅞
Over 25	11½	11⅜	11⅜	12	11⅞	11⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INTERNATIONAL COMPANIES AND FINANCE

Salomon agrees to pay $84m state claim

By Nikki Tait

SALOMON BROTHERS, the Wall Street investment house, announced on Tuesday it had agreed in principle to make a $83.75m payment to the US Department of Energy.

The payment represents a settlement of certain claims by the DoE against Salomon concerning the alleged violation of crude oil pricing rules more than 10 years ago.

The government agency claims had centred on some crude oil transactions entered into by Philbro, an oil and energy commodity trading business, in the late 1970s.

This was shortly before the company combined with Salomon in 1981. The "mandatory crude oil price and allocation regulations" have since been revoked.

Nevertheless, in 1988, the DoE began proceedings against Salomon, originally seeking a payment of $811m – the sum of $108m plus interest.

● *Lawyers for the New York Stock Exchange on Tuesday sought permission of the bankruptcy courts to bring disciplinary proceedings against Drexel Burham Lambert, the US investment bank which filed for bankruptcy in February and which has pleaded guilty to securities law violations.*

The NYSE says that it wants to impose a large fine of around $25m each for the Drexel parent company and the brokerage unit. But under US law, it cannot do so without the bankruptcy court's approval.

Ecolab forms European joint venture with Henkel

By Nikki Tait in New York

ECOLAB, the US cleaning and maintenance group, yesterday announced that it was pooling its European interests with those of Henkel in a deal which would give the West German company a 19 per cent stake in Ecolab and boardroom representation.

Both companies will have a 50 per cent interest in the joint venture business, whose sales should total about $750m – $600m coming from the Henkel interests and about $150m from Ecolab's – and employ some 3,500 staff.

The venture will be based in Dusseldorf.

Ecolab, based in Minnesota, is also buying Henkel's remaining non-European cleaning and sanitising operations. These span operations in a further 18 countries and, according to Ecolab, should raise the US company's revenues in Asia and Latin America by about $50m.

As part of the deal, Henkel will receive 5.6m shares in Ecolab, with $74m cash. It will also get a $110m payment, redeeming its current investment in Ecolab convertible preferred stock. The stock was issued to Henkel at the end of 1989, when talks about an alliance between the two companies were under way.

The result of the deal will be to give Henkel a 19 per cent stake in Ecolab immediately. Henkel has the right to raise this to up to 26 per cent through market purchases, and up to 30 per cent eventually. Henkel gets representation on Ecolab's board in proportion to its share ownership.

Henkel is West Germany's fourth biggest chemicals company behind Hoechst, BASF and Bayer. It is best known – at least in Germany, the Netherlands, Belgium and Switzerland where it makes and sells the Persil washing powder – as a detergent company.

In France and the UK, however, Persil is sold by Unilever, the Anglo-Dutch giant.

Aerolineas sale moves nearer

By John Barham in Buenos Aires

THE on-off transfer of Aerolineas Argentinas, Argentina's national airline, to its future owners, Cielos del Sur, now seems to be on again, and Cielos del Sur should take full control of the airline on 10 November, as scheduled.

Government officials have indicated they will accept a new proposal from Cielos del Sur, the consortium formed by Iberia, the Spanish airline, and Austral, a domestic Argentine carrier.

Cielos del Sur has proposed to make an initial payment of $130m in cash, rather than with a letter of credit, as it had offered earlier. It has also promised not to finance the $130m payment with a sale of Aerolineas aircraft.

The consortium is believed to have secured a bridging loan to replace the sale and leaseback mechanism. However, payment will remain contingent on the Government preparing the airline for transfer.

President Carlos Menem warned last week that he "would not accept manoeuvres" by Cielos del Sur to finance the acquisition with a $225m sale and lease back of six Aerolineas aircraft.

He threatened to rescind the privatisation decree awarding Aerolineas Argentinas to Cielos del Sur if the consortium failed to pay the first instalment in cash.

Cielos del Sur, the only group to bid for Aerolineas Argentinas, had offered a package of $260m – half of which is to be paid now – and $2bn in heavily depreciated Argentine debt certificates.

Cielos del Sur is still expected to sell and lease back the aircraft in an operation which could include Guinness Peat Aviation, the aircraft leasing company, but only after it has secured full control of the airline.

However, the airline's transfer is still not certain. The Government must convince foreign banks to which it owes about $740m to waive the debt liens on Aerolineas Argentinas aircraft and accept a Treasury guarantee for the debts.

Cielos del Sur is naturally unwilling to make an unconditional cash payment to the Government until it is certain that the waivers allowing the transfer have been obtained.

Ames turns in loss of $152.5m for quarter

By Nikki Tait

AMES Department Stores, the big US discount retailer which filed for protection under Chapter 11 of the Bankruptcy Code last April, yesterday unveiled a loss of $152.5m in the three months to July 28.

The figure comes after non-recurring charges of $73.1m, leaving an underlying loss of $79.4m. The company said this was better than it had expected, and attributed this to successful summer clearance sales.

It conceded, however, that the second quarter had begun with a poor stock position on seasonal merchandise, and that circular advertising had been suspended.

"We essentially restarted the business during the quarter," said Mr Stephen Pistner, Ames' chief executive. Weekly circulars restarted on July 29, as stock positions improved.

Sales in the quarter totalled $563.3m compared with $1.16bn in the same period a year earlier, but the 1990 figures do not include second-quarter results for the 221 stores which were closed on June 23.

Ames said that the appropriate comparable figure for 1989 stood at $852m.

The company now operates 461 discount department stores in 17 states in the recession-threatened north-east.

Ames' troubles stemmed largely from its acquisition of the Zayre discount business in 1988, which doubled the size of the group and left it with an unwieldy and unprofitable chain.

NYSE approves moves on after-hours trading

By Karen Zagor in New York

THE New York Stock Exchange has moved a step nearer trading outside its normal hours when its board approved two stages of a five-phase plan to develop out-of-hours trading.

The plan to conduct after-hours trading, which was confirmed in June, was spurred by the growing desire by investors to do business around the clock, and by increasingly competitive pressures from overseas and US regional exchanges. At present, some NYSE listed issues trade after-hours, but not on the NYSE.

Mr Richard Grasso, NYSE president and chief operating officer, said: "The off-hours trading plan reflects the NYSE's commitment to provide innovative services for its customers and position the exchange competitively in the evolution of a 24-hour market place."

The board also approved a plan to trade unregistered securities under the Securities and Exchange Commission Rule 144a.

Rule 144a, which was adopted by the SEC in April, allows US and foreign issuers to offer debt and equity securities to large institutions without cumbersome registration requirements.

Under the NYSE's planned system for trading unregistered securities, which has been filed for approval by the SEC, only qualified institutional buyers will be able to trade on the system for 144a securities. Unqualified members and member firms would participate as agents.

If the proposal is approved, trading on the system could begin early next year.

The National Association of Securities Dealers was the first to take advantage of Rule 144a with its Portal system, which was introduced in June. The American Stock Exchange also has a joint venture with Reuters Holdings to trade privately placed securities.

Canadian mine to be developed

By Robert Gibbens in Montreal

FOUR companies have agreed to allow the rich Louvicourt copper-zinc-silver-gold property in north-western Quebec to be developed to production.

Aur, a small gold producer, will own about 55 per cent of the property, develop and operate the mine. The company, 21 per cent-owned by Teck and Cominco, originally held 50 per cent of Louvicourt, and Louvem Mines, an exploration company 22 per cent-held by Noranda, the other half.

A dispute over ownership arose two years ago when Aur claimed Louvem had failed to pay its full share of exploration costs.

Now Aur, Louvem, Noranda and another company which controls Louvem have agreed to end all litigation and allow a development of the mine.

Louvem will have 45 per cent ownership and Noranda will manage this interest. Noranda will also take most of the mine's concentrates for processing in its modernised smelter nearby.

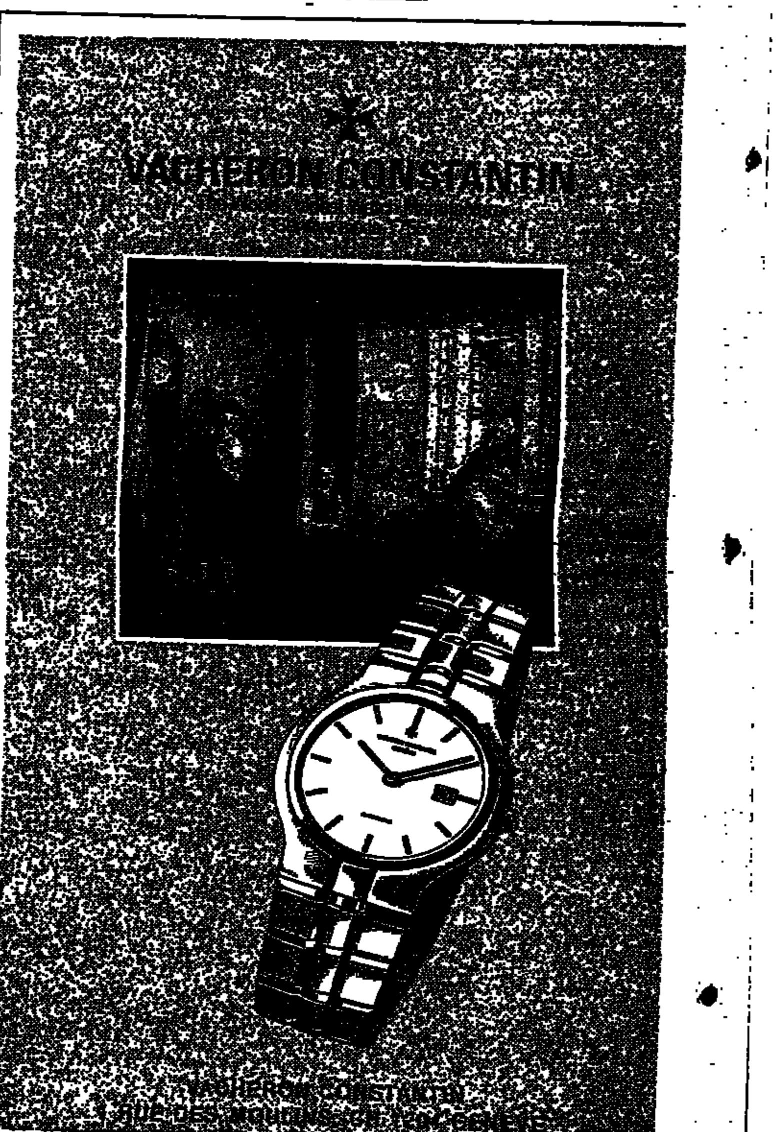
Aur is still drilling the Louvicourt ore-body, which has an estimated value so far of about C$500m (US$431m). A downward extension of the high grade ore has proved elusive despite geophysical evidence.

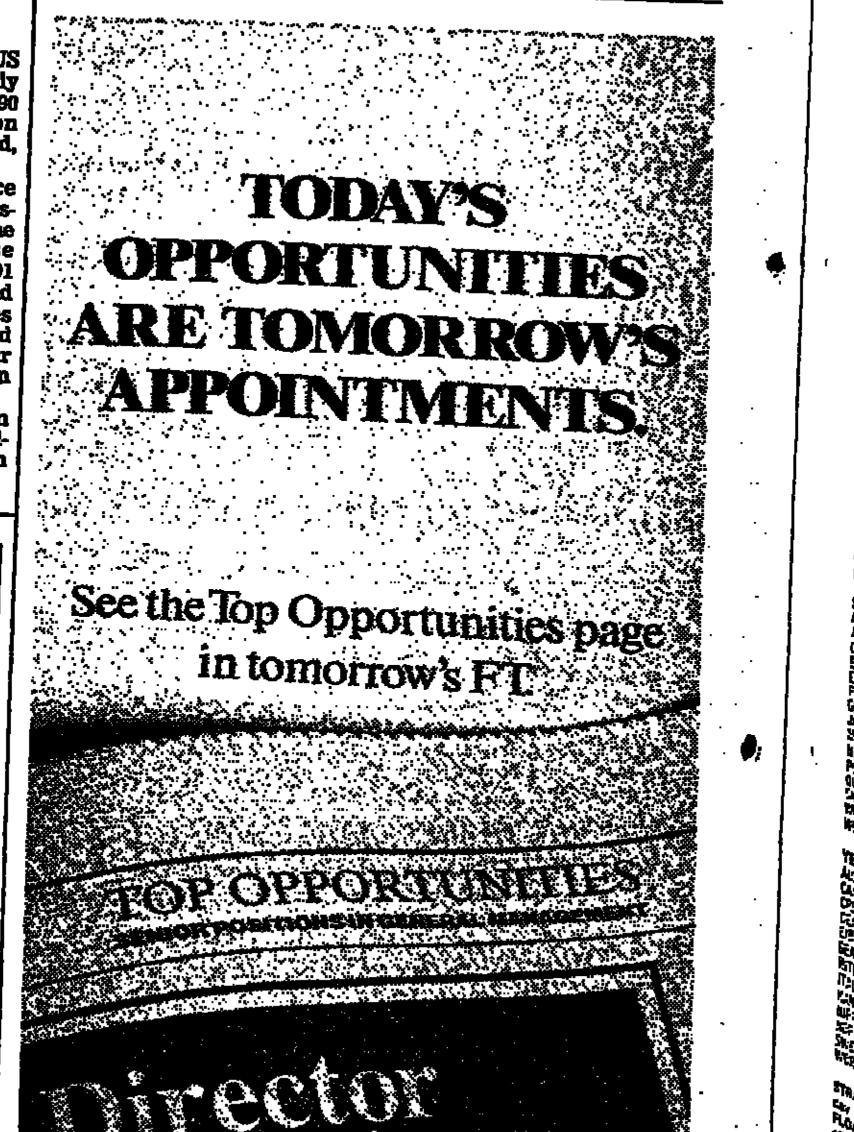
Nissan expects flat US sales

NISSAN Motor expects its US vehicle sales to be essentially flat in 1991 compared with 1990 due to strained production capacity, a top executive said, Reuter reports.

Mr Robert Thomas, vice president in charge of the Nissan US sales division, said the second-largest Japanese vehicle maker projected 1991 sales of about 615,000 cars and trucks. This figure compares with 600,000 vehicles expected to be sold in the US this year and about 655,000 sold in 1989.

"Our sales decline has been based on a decline in availability of vehicles, mainly from Japan," Mr Thomas said.





INTERNATIONAL CAPITAL MARKETS

Hostile Iranian statement wipes out gains by gilts

By Simon London in London and Janet Bush in New York

EARLY gains in UK government bonds were wiped out by fears of Iranian hostility in the Gulf, with the benchmark 11¾ per cent 2003/2007 gilt closing the day down ⅝ at 100⅛ for a yield of 11.72 per cent.

Activity on the futures market followed the same pattern in higher volume, with the December futures contract opening at 83⅞ and closing at 83⅛ after touching 83⅞ in the middle of the day.

In the midst of worries over a deterioration in the Gulf crisis, a revision of second-quarter balance of payments figures had little immediate impact.

The invisible trade surplus for the period was revised downwards from £900m to just £57m.

Analysts commented that the scale of the revision would require changes to full-year forecasts and may dampen gilt prices as it filters into expectations.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-23	-4/32	12.52	12.46	12.71
		9.000	03/00	84-14	-6/32	11.76	11.77	11.88
		9.000	10/08	83-16	-8/32	11.13	11.16	11.29
US TREASURY *		8.750	08/00	99-19	-3/32	8.81	8.86	8.71
		8.750	08/20	97-30	-6/32	8.95	8.99	8.82
JAPAN	No 119	4.800	6/99	82.2504	+0.232	8.30	8.18	8.09
	No 130	6.700	06/00	92.8688	+0.154	8.00	7.82	7.58
GERMANY		8.500	08/00	96.8500	-0.250	8.99	8.97	8.90
FRANCE	BTAN	9.000	11/95	95.1992	-0.035	10.22	10.41	10.14
	OAT	8.500	03/00	89.0000	-0.350	10.35	10.37	10.05
CANADA *		10.500	07/00	98.4000	+0.150	10.76	10.78	10.64
NETHERLANDS		9.000	07/00	99.2600	-0.220	9.11	9.09	9.00
AUSTRALIA		13.000	07/00	97.6941	+0.053	13.42	13.56	13.61

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■US Treasury bonds were quoted unchanged to modestly lower in quiet trading at midsession yesterday despite a fall in crude oil futures and hopes for an agreement soon on cutting the US budget deficit.

At midsession, short-dated maturities were quoted unchanged to as much as ⅛ point lower and the Treasury's benchmark long bond stood ⅛ point lower for a yield of 8.94 per cent.

Prices had started on the firm side on hopes that Congress and the Administration were imminently to announce a deficit cutting package.

The White House said yesterday that it was hopeful that agreement could be reached within days.

On the New York Mercantile Exchange, October crude futures were quoted 31 cents lower at $30.45 a barrel.

However, the market was focused on other factors, such as increasing concerns about the US banking system.

Chase Manhattan was forced to reset the rate on $200m of auction-rate subordinated notes to yield 13.017 per cent from 9.66 per cent because of concerns about the banking industry which have led to downgradings of the credit ratings of several leading banks.

There was still no sign of any change in monetary policy yesterday, with the US Federal Reserve refraining from operating in the money market.

Traders are now turning their attention towards tomorrow's clutch of economic data, most notably the August producer prices index.

This is expected to show a large jump because of the surge in energy prices during the month.

The median forecast is for a gain of 1.3 per cent with nearly all this rise accounted for by energy prices.

■VOLATILE afternoon trading in Tokyo saw Japanese government bonds testing the year's lows before recovering ground to end significantly higher.

The benchmark No 119 issue reached a yield of 8.40 per cent in the morning session after opening at 8.36 per cent.

However, resistance at that level was carried through into the afternoon and the 119 ended the day at 8.26 per cent.

Activity in the futures market mirrored this pattern, with the December futures contract reaching a low of 87.93 before rallying strongly to close at 88.64, up from Tuesday's close of 88.16.

However, dealers commented that the rebound from the low point was largely based on a "short squeeze," as traders bought into the market to cover positions.

In London trading, prices were steady until the afternoon, when reports of Iranian calls for a holy war against the US forces in the Gulf sent the yield on the 119 up to 8.31 per cent.

■GERMAN government bond traders reported a frantic afternoon session after a soporific day's trading on Tuesday.

The Iranian announcement sent the benchmark 8¾ per cent 10 year bund down to 96.90 for a yield of 8.99 per cent, against yesterday's close of 8.93 per cent.

The key December futures contract closed at 81.30 from a high of 81.84 before the market heard of the Gulf developments.

Dealers are expecting a nervous day today as the Gulf situation develops.

■THE FRENCH government bond market responded positively to yesterday's budget announcements from the authorities, but lost most of its recent gains following the fresh developments in the Gulf.

The benchmark 8½ per cent 10-year OAT closed the day on a yield of 10.32 per cent, a differential of 133 basis points over the equivalent German bund.

● THE Principality Building Society, Wales' largest independent financial institution, launched a £30m sterling commercial paper programme, arranged by Lloyds Bank Capital Markets.

Mexico sets date for debt-equity swap auction

By Alan Robinson in Mexico City

THE MEXICAN Finance Ministry has announced that its second debt-equity swap auction in 1990 will be held on October 10.

The announcement in the Government's Official Daily (Diario Oficial) said the inter-secretarial technical committee would auction $1.5bn in public sector debt, but "reserves the right to increase that amount."

Finance officials declined to comment on speculation that the amount could be increased to wipe out the $2.5bn remaining from the $3.5bn limit over 3½ years, fixed in the agreement with the nation's commercial creditors last March.

Given the success of the first auction of $1bn in public sector debt last July, officials are inclined to refer to the agreement rather wistfully. "That $3.5bn is far from exhausting the possibilities," one top official said. "We could really sell the farm."

One of the main aims of the October auction will be to reduce the liabilities of Mexico's commercial banks, finance officials said, to make them more attractive to potential buyers.

The coming sale of state-owned steel plants Altos Hornos and Sicartsa is also likely to attract bids.

Bids will be accepted in Mexico until October 8 and in New York until October 4. The minimum discount will be 35 per cent and the minimum bid $1m.

Officials were optimistic about discounts, citing some 27 bids in July that offered more than 50 per cent.

Success for Canadian phone offer

By Bernard Simon in Toronto

A SHARE offer for the part-privatisation of Alberta's provincial telephone company has been heavily over-subscribed, despite uncertainty about the regulatory future of Canada's telecommunications system.

The Alberta Government said that it received C$1.4bn in subscriptions for the C$951m share issue by Telus, formerly Alberta Government Telephones.

The issue, which is the largest public stock offering in Canada, will reduce the Government's stake in Telus from 100 per cent to 40 per cent. The Government plans to retain its remaining stake for at least another year.

Mr Fred Stewart, Alberta telecommunications minister, said C$816m worth of shares would be sold to the 140,000 Albertans who applied for Telus stock. The remaining C$135m would be offered to investors in other parts of Canada.

Telus, with assets of C$2.8bn, chalked up C$1.2bn in sales last year. Besides handling the province's telephone service, the company has interests in Canada's long-distance network and in the cellular telephone business.

Canada's telecommunications industry is bracing itself for greater competitive pressures, following the application earlier this year by Unitel Communications of Toronto to break the monopoly on long-distance telephone services held by Telecom Canada, a company owned by provincial utilities.

Telus shares will be listed on Canadian stock exchanges on Sept 28.

Mitsubishi Corp doubles size of programme

By Stephen Fidler, Euromarkets Correspondent

MITSUBISHI Corporation said yesterday that it had doubled the size of its Euro-medium term note programme to $1.2bn and added six new dealers to the existing eight-dealer group.

It would also drop the minimum maturity on the notes from one year to six months and amend the programme to allow for the issue of notes in sterling and other currencies, as well as dual-currency and index-linked notes.

● Bank in Liechtenstein, the largest bank in Liechtenstein, has set up a DM300m Euro-medium term note programme, arranged by Deutsche Bank.

● Ciba-Geigy has established a £125m sterling commercial paper programme, arranged by Barclays de Zoete Wedd, with Midland Montagu and Swiss Bank Corporation as dealers.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅝	99⅞	-⅛	9.12	COUNCIL EUROPE 7 94 LFr	600	92	93		9.82
ALBERTA PROVINCE 9 3/8 95	600	100¾	101⅛		9.14	KREDIETCORP 7 93 LFr	1000	93	94	-⅛	9.88
AUSTRIA 8 1/2 00	400	93¾	94		9.54	WORLD BANK 8 96 LFr	1000	93	94	-1	9.65
BANK OF TOKYO 8 3/8 96	100	95	95½		9.55	AMRO BANK 6 1/4 92 Fl	150	94⅜	95⅛		9.58
BELGIUM 9 1/8 92	400	100¾	101⅛		8.70	RABOBANK 5 3/4 93 Fl	150	92⅜	92¾		9.44
BFCE 7 3/4 97	150	92⅜	92¾		9.35	ALBERTA PROVINCE 10 92 C$	500	97¾	98¼		11.30
BNP 8 5/8 94	300	98¾	99⅛	+⅛	9.01	BCE INC 9 5/8 93 C$	300	95⅝	95¾		11.71
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate [illegible] for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

BUSINESS LAW

Realising the Soviet joint venture

By Lloyd Evans

THE SHEER scale of markets and resources in today's commercially unfettered Soviet Union holds powerful attractions for western companies. In this, as in other new markets, the first opportunities lie in joint ventures with local companies – ventures to which the Soviet government seems particularly well-disposed.

Although the commercial environment might at first seem alien, western businesses may find themselves much better prepared than the Soviet officials with whom they have to deal. The Soviet Union has no history of free international trade, and its government departments have little or no experience of dealing with foreign business people on Soviet soil.

The regulations governing international joint ventures came into existence just three years ago. The Soviet legal framework for joint ventures is based on a Decree of the Council of Ministers which was published on January 13 1987. In October 1987 the Central Committee of the Soviet Communist Party published a joint resolution with the Council of Ministers, making some minor changes to the Decree and adding declarations of intent which demonstrate a willingness to be flexible.

Some regulations have been issued since the Decree, covering procedures for registration, taxation, accounting, book-keeping and insurance.

In the past three years, the Soviet government has been extensively deregulated and attempts have been made to decentralise it, bringing an even greater degree of flexibility to the Decree.

It is vital to ensure that your Soviet partner is the person or concern with the necessary authority to deliver. Experience shows that the Russians are prepared to bend even the most fundamental rules to accommodate their foreign partners. For example, the rejection by western businesses of the Decree's requirement for the application of Soviet law has been accepted. Now any law may be chosen to regulate a joint venture.

Before a joint venture may be registered with the Ministry of Finance, the partners must show that it satisfies at least one of three general requirements: it must reduce imports by satisfying the domestic requirement for certain goods; or stimulate exports; or attract foreign technologies, skills, materials and money to the Soviet economy. Goods may be imported only to the extent that they are consumed by the venture in production.

However, even when one or more of these requirements has been satisfied, Item 25 of the Decree may stand in the way of the venture. This requires the western partner to achieve its profits in hard currency only from exports, and is often unworkable, because it effectively asks the western partner to compete with itself in western markets.

In practice, the Soviet partner may, however, be prepared to lobby for approval of a venture without exports, on the basis that by supplying the domestic market it is effectively replacing imports. This principle is now recognised in unpublished amendments to the Decree. The Soviet Finance Ministry will accept a joint venture even if the western partner achieves "profits" through any of the following (the first three are an expense of the venture in calculating taxable or "balance" profits):

- An annual consultancy fee;
- Royalties for technology and intellectual property licensing;
- Fees for subscribers who have "signed up" for continuing support and maintenance;
- Government loans to the Soviet partner in foreign currency to secure dividend payments in that currency, where the loans are repayable in roubles;
- Counter trade (though this may cause other complications).

Prior to registering the joint venture, a number of foundation documents are needed. The first is a letter of intent, which is not legally binding but must contain secrecy clauses to protect industrial and intellectual property.

Then a series of protocols must be signed during negotiations to define financial data, timetables and responsibilities. These are important, because those involved on the Soviet side will use them to lobby their superior ministers.

The chief document is the feasibility study, which will become the justification for approval of the venture by both the negotiating industrial Ministry and the Ministry of Finance. The parties should be prepared for delays at this stage: both in negotiation (which allows each side to review the other's business) and in the statutory review of the study by the Foreign Economic Commission of the Council of Ministers.

Finally, the joint venture agreement itself must be drafted, with its articles of incorporation.

Having satisfied all the requirements and achieved Finance Ministry registration, the venture will become a legal entity, acquiring legal rights, the ability to enter into contracts and legal obligations, to sue and be sued in its own name – and, under a recent decree, to lease land.

As a joint venture with a western company, it will also enjoy priority treatment with regard to customs clearances, construction and internal transportation. Even better, it will be exempt from Soviet taxation for a full two years following the date on which it first generates a profit.

After this tax-free period, the profits of the venture are taxed at the current rate of 30 per cent. However, it is possible to delay payment of this tax for the period in which the earnings of the venture are used to expand the company or to increase its various reserve or development funds. The Ministry of Finance also has the right (which is typically exercised in practice) to grant additional tax exceptions where preferential treatment has been established in the feasibility study.

Item 30 of the Decree requires deductions from gross profits (before tax), which are used to build up a Reserve Fund amounting to 25 per cent of the Authorised Fund of the venture. The problem of valuing each partner's contribution to the Authorised Fund remains prickly – despite two attempts at regulation – because it must include items such as land, natural resources and buildings. An accurate valuation is vital to establish the value of shares if the concern is on-going, and its break-up value if it is not.

Tax deferral may be obtained by putting taxable profits known as balance profits into an R&D fund. Add this to the tax holiday and one does quite well. When the proportion of profits due to the western partner is due to be transferred, the Russians also propose a 20 per cent withholding tax. This will not apply to British partners who enjoy a double taxation treaty. Americans do not.

In the absence of such a treaty, the Finance Ministry will apply the reciprocal withholding tax rate applicable to Soviet persons repatriating income from the other country.

Royalties, for know-how, R&D and copyright, plus fees for maintenance and support are typically exempt from the withholding tax as long as there is no permanent representation in the Soviet Union – and, as a separate entity, the joint venture itself does not constitute such a representation.

Shares in a joint venture will not become freely tradeable on the international market, because the ownership of shares is tied to management responsibilities. Having chosen their western partners with care, the Russians will insist on the right to veto any transfer of shares. They will also frown on any early attempt at capital profit-taking by the western partner, as it conflicts with the spirit of a working relationship.

To further discourage speculation, the Russians now propose a minimum capital investment of £100,000. Either side may own up to 99 per cent of the venture.

The Soviet Union has now enacted some company law. On the negative side, it also introduced in July a corporation tax, an entertainments tax, an excess profits tax and an import/export tax.

Any western company entering joint venture negotiations should be represented by top management as well as by technical, financial and legal experts. They will first negotiate with the Soviet ministry responsible for the project. For this reason it is vital to identify the right ministry at the outset, as well as the positions of its representatives.

More than ever it is vital to realise that the authority to negotiate, which may once have been vested in a single division or ministry, is now the prerogative of several parties. The negotiators who reach the Council of Ministers first with their Soviet partners may well win the race.

The author is a partner in the City law firm Berwin Leighton.

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 1 PLC

Class A-1 Mortgage Backed Floating Rate Notes Due March 2020

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class A-1 Mortgage Backed Floating Rate Notes Due March 2020 (the "Class A-1 Notes") of Mortgage Funding Corporation No. 1 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st March, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st March, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A-1 Notes, Available Capital Funds as defined in the Terms and Conditions in the amount of £26,000,000 will be utilized on 28th September, 1990 (the "Redemption Date") to redeem a like amount of Class A-1 Notes. The Class A-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS A-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

10	215	386	548	706	868	1053	1230	1384	1582
13	230	387	566	707	869	1054	1232	1389	1587
22	237	389	569	713	870	1062	1245	1392	1591
35	239	401	570	716	882	1064	1250	1398	1592
45	253	402	572	719	893	1065	1253	1403	1606
47	254	410	581	732	894	1066	1254	1413	1609
55	257	413	590	733	898	1067	1269	1446	1610
63	266	415	595	735	903	1068	1271	1450	1611
69	267	436	600	739	906	1082	1282	1465	1620
71	271	441	601	741	908	1088	1285	1473	1630
77	274	446	602	746	909	1107	1286	1474	1634
78	279	450	611	760	911	1114	1289	1487	1638
82	292	464	616	768	920	1120	1290	1494	1649
86	301	469	621	769	954	1146	1312	1496	1652
89	303	471	625	777	958	1149	1314	1499	1653
94	305	476	626	787	970	1159	1316	1503	1654
97	317	484	628	789	975	1172	1330	1508	1655
118	325	497	629	804	976	1182	1331	1510	1666
136	328	498	646	821	984	1184	1338	1522	1702
138	329	500	659	832	992	1189	1347	1524	1707
140	332	508	675	834	1002	1191	1353	1530	1708
155	341	518	677	847	1010	1199	1357	1533	1715
171	354	523	682	849	1013	1202	1373	1550	1723
182	365	537	684	854	1038	1204	1380	1554	1729
190	381	542	703	862	1040	1210	1381	1564	1732
197	382	543	704	863	1043	1221	1383	1576	1740

The Class A-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
PO Box 161
1 Angel Court
London EC2R 7AE

Union de Banques Suisses (Luxembourg) SA
36-38 Grand-rue
L-2011 Luxembourg

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Operations

In respect of Bearer Class A-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 1 PLC
By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Principal Paying Agent

Dated: 13th September, 1990

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A-1 Notes to the paying agency's New York Office.

INTERNATIONAL CAPITAL MARKETS

World Bank $2bn global issue given cool reception

By Tracy Corrigan

DISTRIBUTION of the World Bank's third global bond issue, priced yesterday, barely got off the ground in Japan, and proved sluggish in Europe, but firm demand in the US bolstered the deal's performance.

About half was placed in the US, 35 per cent in Europe and the remainder in the Far East, according to estimates by joint lead manager Deutsche Bank Capital Markets.

The $2bn issue was priced yesterday with a coupon of 8⅝ per cent to yield 31 basis points above the five-year US Treasury. The pricing at the more generous end of the 28-32 basis point range indicated spread was needed to shore up demand in Europe, as European investors remained nervous about assuming currency exposure in the current uncertain climate.

For US investors, the 31 basis point spread compared favourably with agency debt trading levels. Five-year government-guaranteed Fannie Mae paper trades about 26 basis points above the US Treasury.

US investors continue to focus on shorter-dated paper because of inflation concerns, said an official at joint lead-manager Salomon Brothers in New York.

Meanwhile, even Japanese underwriters said they could elicit little demand in the Far East. "Some accounts said they would buy the bonds if they had an 8¾ per cent coupon, but most were looking for even more than that." Consequently, any Japanese buying of US dollar bonds continues to be at the longer end of the curve, where yields are higher.

The bonds closed at 95.50 bid, just a touch below the fixed reoffered price of 99.54, despite the sell-off in the US Treasury market.

A World Bank official said the interest rate for part of the issue was fixed at pricing, but interest setting for the rest of the bonds was deferred. Such a deferred rate-setting technique was used for the bank's two previous global offerings.

The World Bank also tapped the Swiss bond market yesterday. The 10-year deal, launched by Union Bank of Switzerland, ws increased from an initial SFr100m to SFr150m, after meeting firm demand.

Elsewhere, IBM Canada brought a C$150m five-year deal via Wood Gundy.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(e)◆	2bn	8⅝	99.54	1995	25bp	D.Bk Cap.Mkts./Sal.Bros.
Yasuda Tst.Asia Pac.(f)†◆	150	(f)	101⅞	2000	2/1⅞	Salomon Bros.Int.
Caisse Nat.Cr.Agric.(a)◆	120	zero	70.495	1995	1⅞/1¼	Sanwa Int.
l'finance Cr.Nat(a)◆	90	zero	70.495	1995	1⅞/1¼	Sanwa Int.
Credit Lyonnais(a)◆	90	zero	70.495	1995	1⅞/1¼	Sanwa Int.
Nippon Kinzoku Co.(b)‡	70	5⅜	100	1994	2¼/1½	Nikko Secs.
CANADIAN DOLLARS						
IBM Canada(a)◆	150	11⅜	100.65	1995	1⅞/1¼	Wood Gundy Inc.
SWISS FRANCS						
World Bank(c)◆	150	7¼	101¼	2000	-	UBS
Marunaka Co.(a)★★◆	10	8	99.75	1995	1⅜	Mitsubishi Bk (Switz)
YEN						
Express Train(d)◆	10bn	7.06	101⅜	1993	1⅜/⅞	Bk of Tokyo Cap.Mkts

★★Private placement. §Convertible. †Floating rate note. ‡With equity warrants. ◆Final terms. a) Non-callable. b) Coupon was indicated at 5½%. Non-callable. c) Issue callable after 8 years at 101¼%. d) Redemption linked to the JGB Futures Contract. e) Global issue. Fixed re-offer price. Coupon payable semi-annually. f) FRN/fixed rate issue. Callable after 2 years at par. Coupon pays 95bp over 6-month Libor for first 2 years, then pays fixed rate of 10% thereafter.

S Korea to launch equities fund

SOUTH KOREA plans to launch its third closed-end equities fund for foreign investors on Thursday, Reuter reports.

The $100m Korea Asia Fund is expected to be listed in Hong Kong and London, complementing two other relatively successful funds in New York and London.

"This is overkill," said one Hong Kong-based fund manager responsible for selling Korean overseas issues to foreign clients.

"The timing is way off, foreign interest is way down and market conditions locally and overseas are just abysmal. The Gulf crisis is overshadowing everything," the fund manager said. "South Korea is just not on top of everyone's list."

Securities analysts not involved in the issue said that if the fund went ahead as planned, it could set a precedent by going straight into a discount – selling below its net asset value or skirting along face-value levels.

"It seems the fund will go into a small discount," said Mr Peter Thorn, head of W.I. Carr (Overseas) Ltd in Seoul.

Premiums for the New York-listed Korea Fund, an instant market success when it was listed in 1984, hovered around 120 per cent in October 1989 before drifting to current levels of 35 per cent.

The London-listed Korea-Europe Fund is now trading at a premium of about 6 per cent after peaking at 80 per cent in January this year.

One market source in Hong Kong privy to the issue said, "Because of the Gulf crisis and the gloomy Seoul stock market, the possibility of postponing the issue is high."

Swiss bond issuing syndicate to be disbanded

By Tracy Corrigan

THE ISSUING syndicate which dominates the Swiss bond market is likely to be disbanded at the end of the year, despite an apparent lack of agreement among the three big banks which dominate it.

Doubts over the future of the syndicate were sparked by four measures to dismantle cartels in the Swiss banking industry, adopted on Monday by Mr Jean-Pascal Delmaruz, the Economy Minister.

These include the removal of the "fidelity" clause, which prevents members of the Big Bank syndicate participating in deals launched by non-syndicate banks.

Swiss Bank Corporation has interpreted the move as an indication of the Government's wish to see the fixed syndicate disbanded, an official at the bank said. The bank's view that it is time for the syndicate to be wound up seems to be shared by Crédit Suisse. Union Bank of Switzerland is said to be less willing.

An announcement is expected following a formal syndicate meeting on September 26.

Some bankers say the removal of the "fidelity" clause has undermined the purpose of the fixed syndicate. "One gun is down" in the artillery of the three largest banks, commented a Swiss banker, now that smaller members' underwriting business is no longer limited to the fixed syndicate. There was a correlation between the "fidelity" clause, which restricted members to the Big Bank syndicate, and the lead manager's obligation to invite the members of the syndicate as underwriters. Without that reciprocal element, the big three banks, which provide the bulk of underwriting business, are no longer keen on the system.

But loyalties among Switzerland's Big Bank syndicate stretch back 40 years. Other options are under review, such as the replacement of the current syndicate with a smaller group of banks.

Although these changes will create opportunities for foreign banks based in Switzerland, the dominance of the big three will not be under threat.

ISE acts to end expiry disruption

By Richard Waters

LONDON'S International Stock Exchange is to make sweeping changes to its trading rules in an attempt to prevent a recurrence of the severe disruption in the UK equity market which occurred on the last dealing day of June.

The new rules will apply for just 10 minutes once every three months, as the settlement price of futures and options based on the FT-SE 100 index of leading stocks is calculated.

The changes are intended to oil the wheels of the equity market during the 10 minutes, forcing market makers to deal at their quoted prices and so discourage them from posting prices designed purely to influence the expiry price of the derivatives.

At the June expiry, two securities houses – Goldman Sachs and Barclays de Zoete Wedd – aggressively moved their quotes on SEAQ, the electronic price system which displays the prices at which market makers are prepared to buy or sell stock.

This led to disruption in the equity market and prompted complaints of market manipulation.

Both houses were later cleared after an ISE investigation.

A joint working party of the ISE, the London International Financial Futures Exchange and the London Traded Options Market yesterday proposed several rule changes, which the ISE said would be introduced in time for the next expiry at the end of September.

● During the expiry period, market makers will have to deal with each other at their quoted prices in the size they display on screen.

The exchange is to bring in a similar rule at the end of the year anyway – although during the expiry period market makers will be under a further constraint to change their prices if they are not prepared to deal in larger amounts than they show on screen.

● The compliance officers and senior dealing staff of market makers will have to be present in dealing rooms during expiry.

ISE market supervisors will either be linked by telephone or be present in person to ensure dealing proceeds smoothly. Firms will have to report "material" positions to the ISE two days before expiry.

● The ISE and Liffe will co-operate more closely to share information about possible market disruption. There were danger signals in advance of the June expiry – £870m of futures contracts were due to settle, compared with an average of £465m on expiry days during the previous year – yet the markets failed to heed the warnings.

Two further changes are planned, although they cannot be implemented until well into next year: the expiry date will be lengthened to 20 minutes, and an automatic execution system will be developed to speed up large trades.

Cashing in on a shifting frontier

Simon London explains the vogue for convertible capital bonds

The grey area between debt and equity is fertile ground for corporate finance innovation. From convertible bonds, accounted for as debt, came convertible preference shares, accounted for as equity, and now filling the gap between the two are convertible capital bonds.

About a dozen UK companies from British Airways to Hickson have issued convertible capital bonds in the domestic and international markets. These hybrid instruments are treated as an equity equivalent on the borrower's balance sheet but as debt instruments for tax purposes.

This accounting treatment is justified on the basis that the bonds are not in themselves redeemable, but convert into preference shares (often in an overseas subsidiary) which can then be redeemed.

The bonds are also heavily subordinated and therefore carry a risk close to equity risk. Moreover, the conversion premium at issue date is generally fairly thin – suggesting the bonds will, indeed, be converted into equity. Issuers say they will review the accounting treatment if conversion into equity becomes less likely because the underlying share price falls.

However, many in the accountancy profession question the reality of the "equity stage" through which convertible capital bonds pass before redemption. They also question the validity of an accounting treatment which could change with fluctuations in the borrower's share price. And the judgment to draw the debt/equity line so as to include these instruments as equity is of more than academic interest.

By treating convertible capital bonds as equity, borrowers are able to take coupon payments below the line, thereby flattering declared profit.

However, the UK Inland Revenue has so far taken a benevolent attitude to these debt-equity hybrids, allowing borrowers to treat coupon payments as interest payments for tax purposes – and therefore tax deductible. On Hepworth's £100m convertible capital bond issue, coupon payments amount to £11m per year, so the tax savings are significant.

Thus convertible capital bonds allow imaginative finance directors to borrow more, by keeping debt-service costs low and by manipulating traditional debt/equity ratios.

Conventional gearing ratios show the position of the borrower improving through the issue of the instruments – allowing directors to circumvent borrowing limits embedded in articles of association.

One danger is that equity holders will not realise the extent to which their company is indebted. The danger to the companies is rather more difficult to assess.

One pitfall is that accounting standards bodies will soon address the debt/equity distinction and conclude that convertible capital bonds are essentially debt instruments.

For example, it is likely that the International Accounting Standards Committee will include a definition of equity which excludes convertible capital bonds in its forthcoming exposure draft on accounting for complex capital instruments. But IASC pronouncements carry no formal authority in the UK.

The attitude of the new UK Accounting Standards Board is more difficult to gauge.

Mr Allan Cook, technical director, confirmed that the whole area of accounting for complex capital instruments is high on its list of priorities. Technical staff at the ASB are already looking at the debt/equity distinction.

There is also the danger that the Inland Revenue will look again at convertible capital bonds, and conclude that they are equity instruments after all. In this case issuers could face some hefty demands for back-tax.

Another, if less obvious, danger is that the international equity investment community will shun UK companies with difficult balance sheets.

The trade in international equities grew by an average of 36 per cent a year throughout the 1980s, yet a big hurdle to further development is the failure to agree on common standards of financial reporting and disclosure.

The connection between transparency and rating in domestic equity markets is well documented. One side of the debate over the correct share price of high-growth companies such as Polly Peck is that a stubbornly low rating reflects a perceived lack of transparency.

Studies suggest that international investment decisions are similarly influenced by quality of financial reporting*.

There must be a danger that by pushing back frontiers of debt and equity before accounting rules are set, UK companies will mask the underlying value of their business and quality of their earnings.

**The Capital Markets Effects of International Accounting Diversity, by Frederick Choi and Richard Levich. New York 1990*

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Wednesday September 12 1990

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Sep 11 Index No.	Mon Sep 10 Index No.	Fri Sep 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	733.77	-0.8	15.35	6.34	7.98	25.75	739.86	741.67	737.41	996.22
2	Building Materials (26)	917.74	+0.2	16.57	6.59	7.44	33.68	915.82	916.19	920.02	1178.19
3	Contracting, Construction (36)	1131.28	+0.4	20.25	7.24	6.42	42.06	1126.76	1136.22	1145.50	1589.06
4	Electricals (10)	2068.20	-1.0	14.24	6.50	8.58	64.89	2088.64	2086.26	2070.55	2950.55
5	Electronics (27)	1596.03	....	10.35	5.03	13.08	55.67	1596.69	1594.18	1570.86	2250.41
6	Engineering-Aerospace (8)	446.02	+2.0	14.70	5.28	8.10	10.79	437.09	432.32	422.21	0.00
7	Engineering-General (46)	412.75	+0.3	14.49	6.29	8.32	14.87	411.31	409.99	407.91	0.00
8	Metals and Metal Forming (6)	418.95	....	27.56	8.03	4.41	17.02	418.85	421.48	427.15	525.29
9	Motors (13)	303.29	-0.1	17.70	7.79	6.58	13.91	303.48	302.06	300.33	360.63
10	Other Industrial Materials (23)	1235.76	-4.4	13.88	6.47	8.34	40.92	1293.12	1310.25	1296.76	1852.24
21	CONSUMER GROUP (178)	1188.95	+0.2	10.36	4.29	11.93	26.11	1186.74	1189.46	1172.59	1390.05
22	Brewers and Distillers (22)	1480.66	+0.6	10.39	3.94	11.66	30.61	1471.70	1474.75	1449.84	1537.45
25	Food Manufacturing (20)	1013.95	+0.2	11.44	4.77	10.78	24.47	1012.06	1008.96	995.27	1202.62
26	Food Retailing (16)	2408.89	+0.1	9.66	3.42	13.14	45.88	2405.29	2397.29	2355.67	2640.69
27	Health and Household (16)	2371.72	-0.5	7.45	2.97	15.98	29.07	2383.00	2403.86	2331.62	2676.91
29	Leisure (32)	1200.99	-0.4	12.45	5.20	9.71	36.39	1205.83	1211.59	1194.44	1831.45
31	Packaging & Paper (12)	505.54	+0.2	12.74	6.88	9.64	20.57	504.78	495.19	508.84	612.86
32	Publishing & Printing (16)	3086.78	+0.5	11.78	6.07	10.65	117.68	3072.65	3068.90	3053.40	3770.67
34	Stores (33)	759.52	+1.0	11.70	4.97	11.07	17.19	752.27	756.46	759.15	903.68
35	Textiles (11)	402.18	-0.5	15.16	8.94	8.31	19.76	404.02	403.73	409.27	582.45
40	OTHER GROUPS (107)	1019.70	-0.5	12.44	5.84	9.73	30.13	1024.96	1024.06	1004.06	1209.50
41	Agencies (16)	1205.46	-2.0	8.45	3.25	14.30	20.34	1230.23	1242.82	1210.86	1607.19
42	Chemicals (24)	1031.08	-1.3	12.84	6.45	9.20	44.26	1044.58	1044.55	1022.36	1344.85
43	Conglomerates (15)	1354.36	-1.9	12.44	7.37	9.66	34.46	1380.58	1379.72	1345.57	1740.36
44	Transport (13)	1925.44	+0.5	12.52	5.46	10.13	50.29	1916.46	1917.07	1897.18	2431.86
46	Telephone Networks(2)	1164.22	+0.9	11.50	4.84	11.32	26.09	1153.78	1145.43	1125.42	1166.47
47	Water(10)	1950.63	+0.2	15.81	6.94	7.11	68.12	1947.50	1940.03	1896.18	0.00
48	Miscellaneous (27)	1535.84	-0.7	13.69	5.90	8.39	61.26	1546.22	1553.00	1527.53	1916.45
49	INDUSTRIAL GROUP (480)	1028.85	-0.3	12.14	5.24	10.09	28.08	1031.55	1032.93	1018.57	1253.60
51	Oil & Gas (20)	2503.49	+0.7	9.97	4.94	13.13	72.16	2485.05	2487.49	2498.72	2306.36
59	500 SHARE INDEX (500)	1148.67	-0.1	11.78	5.19	10.49	31.65	1149.80	1151.27	1138.72	1342.66
61	FINANCIAL GROUP (107)	693.90	+0.4	-	6.81	-	29.35	691.39	691.75	692.37	818.79
62	Banks (9)	738.43	-0.2	22.13	7.78	5.92	41.50	740.10	750.36	750.94	833.87
65	Insurance (Life) (7)	1336.91	+1.8	-	5.53	-	37.79	1313.22	1294.81	1293.78	1233.39
66	Insurance (Composite) (6)	588.14	+1.1	-	7.21	-	24.94	581.58	571.95	575.83	670.32
67	Insurance (Brokers) (8)	841.27	+0.2	10.16	7.64	12.98	39.82	839.39	837.49	836.08	980.22
68	Merchant Banks (7)	370.36	-0.3	-	5.49	-	11.93	371.46	373.46	376.23	406.95
69	Property (47)	919.92	+0.2	8.35	5.33	15.91	23.74	918.08	916.20	910.40	1360.34
70	Other Financial (23)	253.42	-0.3	10.71	7.01	12.27	9.88	254.29	254.45	256.48	369.62
71	Investment Trusts (66)	1064.74	+0.6	-	3.70	-	23.74	1058.40	1059.14	1051.94	1283.05
91	Overseas Traders (5)	1281.10	-0.1	10.88	7.14	10.98	59.65	1281.91	1275.24	1262.79	1504.11
99	ALL-SHARE INDEX (678)	1039.28	....	-	5.38	-	30.76	1039.42	1040.59	1031.07	1215.71

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 11	Sep 10	Sep 7	Sep 6	Sep 5	Year ago
FT-SE 100 SHARE INDEX‡	2142.3	-2.0	2167.8	2142.2	2144.3	2147.0	2122.9	2120.9	2152.2	2401.5

FIXED INTEREST

	PRICE INDICES	Wed Sep 12	Day's change %	Tue Sep 11	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.62	+0.02	116.59	-	8.63
2	5-15 years	120.46	-0.08	120.56	-	9.65
3	Over 15 years	121.29	-0.06	121.36	-	9.84
4	Irredeemables	140.37	+0.86	139.18	-	8.85
5	All stocks	121.09	-0.03	121.13	-	9.41
	Index-Linked					
6	Up to 5 years	150.41	-0.03	150.45	-	2.46
7	Over 5 years	137.30	-0.05	137.37	-	3.12
8	All stocks	138.17	-0.05	138.24	-	3.06
9	Debentures & Loans	98.79	+0.27	98.53	-	8.62
10	Preference	73.55	-	73.55	-	4.58

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 12	Tue Sep 11	Year ago (approx.)
	British Government				
1	Low	5 years	10.96	11.01	9.70
2	Coupons	15 years	10.95	11.01	9.31
3		25 years	10.71	10.73	9.22
4	Medium	5 years	12.08	12.06	10.67
5	Coupons	15 years	11.52	11.50	9.74
6		25 years	11.22	11.22	9.37
7	High	5 years	11.93	11.92	10.78
8	Coupons	15 years	11.77	11.76	9.94
9		25 years	11.71	11.50	9.53
10	Irredeemables		11.04	11.13	9.27
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.61	4.59	3.09
12	Inflation rate 5%	Over 5 yrs	4.30	4.30	3.52
13	Inflation rate 10%	Up to 5yrs	3.51	3.49	2.33
14	Inflation rate 10%	Over 5 yrs	4.13	4.12	3.36
15	Debs & Loans	5 years	13.92	14.16	13.08
16		15 years	13.04	13.06	12.01
17		25 years	12.79	12.82	11.39
18	Preference		12.90	12.90	10.19

‡Opening index 2147.4; 9 am 2159.9; 10 am 2164.4; 11 am 2164.1; Noon 2163.5; 1 pm 2162.3; 2 pm 2154.9; 3 pm 2154.6; 4 pm 2143.0; 4.10 pm 2144.9. (a) 11.25am (b) 4.28pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	54	26
Corporations, Dominion and Foreign Bonds	1	5	16
Industrials	325	283	958
Financial and Properties	170	86	482
Oils	15	21	52
Plantations	2	1	7
Mines	26	28	105
Others	38	70	137
Totals	594	548	1,783

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug. 28
● Last Dealings Sept. 14
● Last Declarations Dec. 6
● For settlement Dec. 17

For rate indications see end of London Share Service

Calls in Body Shop, Beazer, Cookson, LASMO, Olivers, Pentland, and Perkins Foods. Put and call in Tusker Res. and Next.

LONDON TRADED OPTIONS

FUTURES trading led the underlying equity market throughout yesterday pushing it higher in the morning and dragging it down in the afternoon as panic set in over news that Iran had called for a "Holy War" against the US.

In the Liffe, the September future on the FT-SE was at a big premium and holding the market up as it waited for Wall Street to come in up on the previous day.

At one point it was at 2,161, a premium of 34. Analysts said that when the Iran statement came in trade was furious and the premium fell quickly to around 8.

The September future closed at 2,161, a premium of 18 and 10 up on fair value with 5,721 contracts traded.

Business was down in the London Traded Options Market but still above the acceptable 30,000 level with 32,509 contracts dealt – 18,489 calls and 14,020 puts.

The FT-SE 100 options saw the most interest with almost 8,000 lots exchanged.

Barclays de Zoete Wedd sold off 900 October, November and December calls taking a bearish stance on the prospects for the index over the next few months.

BP was once again at the top of the equity-option trades with 2,732 lots dealt, all but 28 of them calls.

Securities firm James Capel was responsible for just under 1,950 of the trades and the move was interpreted as a bid to offload part of what has been referred to as its "war spread" – the heavy buying over the past few days of BP options in expectation of war in the Gulf and oil shares outperforming the market.

Business in Rolls-Royce was also brisk with dealers' minds focused on the results due out today.

UBS Phillips & Drew sold almost 400 calls for one client who was apparently not prepared to take the risk of the profits being worse than expected and happy to get out while optimism and the share price were still high.

The new limited life option in Fisons was introduced yesterday. It is being traded for expiry in October, December and February.

Option	CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2143)

	CALLS	PUTS
[illegible]	[illegible]	[illegible]

September 12 Total Contracts 32,509 Calls 18,489 Puts 14,020 FT-SE Index Calls 3,552 Puts 4,428

UK COMPANY NEWS

Mild winter blamed for Calor's 38% decrease

By Andrew Bolger

CALOR GROUP, the bottled gas company, yesterday blamed last winter's mild weather when it reported a 38 per cent drop in pre-tax profits, a change of chief executive and extensive redundancies.

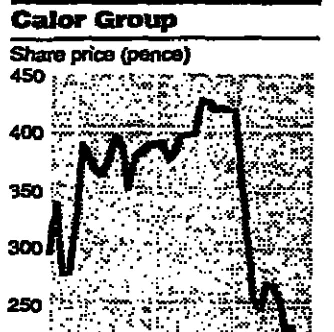
Mr David Mitchell, chief executive, will be replaced at the end of the year by Mr Folkert Schukken, who is a director of the group and is also the executive vice-president of SHV, the Dutch conglomerate which owns 44 per cent of Calor.

Calor, the biggest supplier of liquefied petroleum gas (LPG) in Britain, said pre-tax profits fell from £30.5m to £18.9m in the six months to June 30.

"The results reflect the adverse impact on profit margins of exceptionally mild weather during the first three months of the year – without doubt the warmest such winter period since records began – against a generally difficult trading background" the group said.

Turnover was £160.9m (£151.8m). The fact that the total tonnage of gas sold was similar to that in the previous period reflected the continued growth of the small bulk supply business, related particularly to central heating and cooking applications.

However, the group's average profit margin was reduced by a sharp fall in the significantly more weather-sensitive but more profitable cylinder butane sales, related mainly to the mobile heaters used primarily to provide supplementary heating in cold conditions.



Mr Michael Davies, chairman, said: "It is the fourth consecutive reporting period during which our business has been adversely affected by above-average temperatures and although such extended periods of typical weather have historical precedents, your board has concluded that it is appropriate to adopt a more conservative stance for the business."

The chairman said a fundamental review of the business was being carried out. So far this had lead to a limited restructuring of Calor's administration, filling and distribution functions and a reduction of staff numbers which will reach up to 300 by the year-end. The pre-tax profits figure had been reduced by an exceptional provision of £5.4m to cover these costs.

Earnings per share fell from 12.2p to 7.6p. An interim dividend of 6p is declared.

● COMMENT

Another warm winter has led SHV to seize the reins, and the Dutch group's European connections may well help Calor to reduce its almost complete reliance on the British market. The shares were pushed up to 450p last autumn by speculation that Burmah Oil, of which SHV owns 9.1 per cent, might launch a bid, but that has come to naught and the warm winter has continued the slide. However, the shares yesterday closed 2p higher at 230p. At that level they are probably underpinned by SHV's stated intention to eventually raise its stake to 51 per cent of the shares. Forecast full-year profits of £36m put them on a prospective multiple of 16, which is not cheap – even if you believe we have not yet seen the last of Jack Frost.

Big reduction in profits from associated companies

Heavy launch costs cut Rover to £33m

By Kevin Done, Motor Industry Correspondent

ROVER GROUP, the leading UK car maker, suffered a 27 per cent fall in trading profits in the first half from £45m to £33m.

The decline was due partly to the big reduction in profits from associated companies, which amounted to £13m a year ago, following the disposal of Rover's stake in Istel, the computer software company, and the sale of part of its 40 per cent stake in DAF, the Dutch commercial vehicle maker.

Turnover of Rover Group, which is owned 80 per cent by British Aerospace and 20 per cent by Honda of Japan, rose by 9 per cent from £1.71bn to £1.86bn.

Profitability was also hit by the poor financial performance of the Rover car operations – excluding the highly profitable Land Rover four wheel drive vehicles business – which operated at a loss or close to break-even for much of the first half.

The decline in these operations was due to:

- Heavy launch costs for new models.
- A 29.3 per cent drop in car production due chiefly to model changeovers.
- A 9.3 per cent drop in worldwide car sales due largely to the decline in the UK new car market and a further drop in the US, where sales of Sterling cars (the Rover 800) are still running at a considerable loss.

Rover car production plunged in the first half of the year by 29 per cent to 184,781 (261,297), due principally to the changeover to new generation ranges with the launch of the new Metro and Rover 400. At the same time Rover car sales worldwide fell by 9 per cent to 209,382 (230,917).


Ashley Ashwood
Professor Roland Smith: chairman of British Aerospace, which owns 80 per cent of Rover Group

Mr George Simpson, chief executive, said the losses from the car operations was only "a passing phase" because of new model launch costs.

About 50 per cent of the planned 100,000 annual output from the Honda assembly plant being built at Swindon, would be sold under the Rover badge. Pilot production begins late next year.

Rover production of Honda Concertos at its Longbridge, Birmingham, plant would total about 25,000 this year and possibly 40,000 in 1991.

Rover Group profits were derived chiefly from the Land Rover operations, which increased world sales of its Range Rover, Discovery and Defender vehicles by 18 per cent from 28,127 to 33,247.

Production at the Land Rover Solihull plant is running at a record level thanks mainly to the successful launch of the Discovery range of four wheel drive vehicles last November.

Land Rover production in the full year is expected to reach 70,000 according to Mr Chris Woodwark, Land Rover commercial director, up 27 per cent from 55,000 last year and 46,000 in 1988.

The company increased output of the Discovery to 630 a week in August, the level originally planned to be reached first in 1993.

Land Rover also said yesterday that it was introducing the name Defender for its four wheel drive utility vehicles, the original Land Rovers launched in 1948, with the aim of using the Land Rover marque for the entire vehicle range.

Wembley 37% spurt to £5.7m at halfway

By Andrew Bolger

WEMBLEY, the leisure group which owns the football stadium, yesterday reported a 37 per cent increase in pre-tax profits to £5.7m in the six months to June 30.

Turnover rose from £28.18m to £66.12m, reflecting the first contribution from the five US greyhound tracks which Wembley bought for £57.8m in December.

Earnings per share rose by 29 per cent to 4p (3.1p).

The interim dividend rose by 28 per cent to 0.9p.

Sir Brian Wolfson, chairman, said the results reflected an increase in the number and variety of events at the Wembley complex, including the Nelson Mandela concert, Football League play-off matches and 15 Paul McCartney concerts.

Profits were boosted by an exceptional item of £994,000, arising mainly from profits on the exercise of an option by the former lessee to purchase the hotel situated on the Wembley complex.

The results included an extraordinary item of £9.54m, arising principally from the profit on the sale and leaseback of the Wembley complex office block, conference centre, and exhibition hall and includes a prior year revaluation surplus now realised of £11m.

Wembley said its Meridian Holdings results reflected the current recession in the UK building industry, which had resulted in tighter margins in the contracting market.

Diversification hopes at Mrs Fields as losses fall to $2.63m

By Andrew Hill

MRS FIELDS, the US cookie-maker and retailer, lost $2.63m (£1.41m) before tax in the first half of 1990, a slight improvement on restated losses of $3.53m in the equivalent period.

Mr Larry Holman, the group's senior vice president, said his hopes were pinned on Mrs Fields' diversification into new areas, backed up by the core cookie and bakery business. But he could not say when the company, which has its only share listing in London, would start to pay dividends again.

Turnover rose from just over $57.3m, excluding $3m of sales from closed stores, to $63.6m, and the loss per share narrowed to 1.8 cents (2.4 cents).

Operating income during the first half – traditionally the weaker half for Mrs Fields – was up 22 per cent at $6.64m ($5.46m), but depreciation and amortisation cost $5.25m ($4.77m), while interest charges were slightly lower at $4.03m ($4.22m).

However, Mr Holman admitted that the group's debts were still far too high: borrowings were almost unchanged at the half-year at $71m – about twice shareholders' funds.

Mrs Fields, which suffered the after-effects of ill-judged US expansion two years ago, had several new ventures in the early stages of operations or test-marketing. They included a move to open Mrs Fields Bakeries in US supermarkets; a licence agreement with Marriott Corporation allowing it to sell Mrs Fields products; and an agreement with WR Grace to market chocolate chips for home-baked cookies under the Mrs Fields brand-name.

The US group was also looking for new stores in the UK in an attempt to stimulate interest in similar licences for mainland Europe.

Mrs Fields' share price has never recovered its 1987 peak of 272p. Yesterday the shares rose off their all-time low of 17¼p to close at 18p.

Prudential drops to £126m

By Richard Lapper

PRUDENTIAL Corporation, the UK's biggest life insurer, recorded profits of £126.7m, for the half-year ending June 30, somewhat above analysts' expectations.

Losses in Prudential's general insurance business, which accounts for less than 20 per cent of the group's total premium income, were largely responsible for the poorer performance compared with last time's £197.3m figure.

This was the most eye-catching feature of yesterday's interim results, but a possible slowing down in the rise of life insurance profits after more than a decade of steady, seemingly relentless growth is more significant.

The depressed state of equity markets has adversely affected the investment outlook. Underlying growth of Prudential's life business is now estimated at about 10 per cent, a few percentage points down on the average achieved over the past five years.

A reduction in terminal bonuses at the end of this year is considered likely by analysts, who are expecting annual profits of between £300m and £325m, compared with £358.9m in 1989.

Mr Roger Harvey, life insurance analyst with Kleinwort Benson, said the final outcome could be worse if UK equity markets continue to perform dully. "People will have to get used to the idea that life insurance results don't go up for ever," he added.

UK COMPANY NEWS

£10m advertising budget for crucial pre-Christmas period

Ratners shows 12% improvement

By John Thornhill

MR GERALD Ratner was in cheery mood yesterday as he unveiled a 12 per cent increase in interim trading profits at Ratners Group, the jewellery chain of which he is chairman and managing director.

In spite of the slowing economy, Mr Ratner said jewellery was still the fastest growing sector in the high street this year with 11 per cent growth. "We are still taking market share. The independents are collapsing," he said.

Operating profits rose from £15.91m to £17.78m in the six months to August 4 on sales 23 per cent ahead at £370.69m (£301.72m).

At the pre-tax level, however, profits fell from £14.69m to £9.3m, although the previous year's figure did include £7.35m of exceptional profits.

Mr Ratner said the group was now building up for the crucial Christmas period when it makes 40 per cent of its sales and 90 per cent of its profits. "We are going to go out there and aggressively attack the market in December," he said.

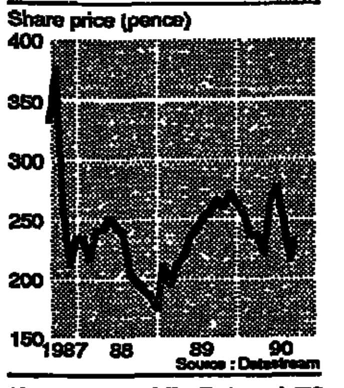
Ratners plans to spend £10m on advertising in the run-up to Christmas. "The public, bless them, always leave it to the last minute," he said.

The group will also try to entice customers with new lines such as men's earrings and Dick Tracy watches that have a paging facility. It is also printing 10.5m catalogues to promote its wares.

In the year to date, both the Ratners and H Samuel jewellery chains achieved like-for-like sales growth of 15 per cent. The Zales chain saw growth of 18 per cent while Ratners' US interests experienced a 9 per cent uplift.

Ratners Group

Share price (pence)



But two weaker businesses were Watches of Switzerland, the upmarket watch chain, which "has certainly struggled," and Salisburys, the bag retailer, which "was a little bit disappointing."

Mr Ratner was bullish about the acquisition of Kays Jewelers, the US chain, which will be completed in mid-October. "We are very confident about Kays even though there are one or two people out there who are not," he said, referring to some analysts who have argued that the move threatens to dilute earnings.

The interim dividend is lifted by 20 per cent to 2.4p (2p). But fully diluted earnings per share fell to 1.2p (3.9p) although Ratners argued it would be "totally misleading" to read anything into this decline at the interim stage.

See Lex

Ocean rises 10% due to marine services strength

By David Owen

A STRONG trading performance from its marine services division helped Ocean Group, the diversified industrial services conglomerate, to report a 10 per cent improvement in interim profits.

It warned that the second-half outlook was "less certain given the current economic climate and the effect of exchange rates." The shares, however, climbed 6p to 321p.

Taxable profit for the six months to June 30 amounted to £22.6m (£20.5m) on turnover of £530.5m (£406.4m). The profit advance was achieved in spite of interest charges quadrupled to £2.9m (£700,000).

Ocean has changed its accounting policy to translate results from overseas businesses at average rather than year-end exchange rates. It said that the impact of the adjustment in the first half was "not material."

Taking into account a further pension credit-related adjustment, the effect on first half 1989 figures was to reduce turnover by £13.7m while leaving pre-tax profit unchanged.

The marine services division pushed trading profit to £10.7m (£5.1m) on turnover up 55 per cent to £53.9m.

Trading profit from freight and distribution services edged up to £11m (£10.6m) on turnover of £447m (£351.2m).

Environmental services reported unchanged trading profit of £3.4m on turnover of £26.2m (£16.7m).

Earnings rose 10 per cent to 13.1p (11.9p). The interim dividend is 4.67p (4.24p).

● COMMENT

The positive reception accorded these figures stems from the evidence they provide that the group has emerged more recession-resistant from the restructuring, which saw it sever its historic ties with shipping and change its name from Ocean Transport & Trading. In spite of the group's cautious comments, the thinking now is that the benefits which the marine services unit would derive from a sustained spell of higher oil prices would help to offset any adverse impact on freight and distribution. Environmental services, meanwhile, should perform more strongly in the second half now that the costly problems at Mucking have been rectified. Assuming full-year profits of between £50m and £52m, the shares look fairly valued on a prospective multiple of 10.4 to 11.

Margins under pressure at Nurdin & Peacock

By Andrew Bolger

NURDIN & PEACOCK, the cash and carry wholesaler, reported an 8 per cent increase in pre-tax profits, from £6.16m to £6.6m, in the six months to July 1.

Turnover rose 15 per cent to £602.6m (£523m) and Mr Michael Peacock, chairman, said there were a number of reasons why the profit improvement had not kept up with sales.

Profits were being partly restrained by the faster rate of development of the business and the increased costs associated with installing laser scanning in new branches, he said.

One step taken had been the successful transfer of N&P's meat operation from a Dewhurst concession to company management, with initial costs of £400,000.

A drive on the catering market had been launched with the formation of a food services division and a new catering range under the Happy Chef label, plus a delivery service to larger customers from a number of branches.

In another venture, the company had decided to supplement customer training courses with real-life training facilities.

Earnings per share increased by 13 per cent to 3.73p (3.3p). That growth had exceeded the rise in pre-tax profits because, with its increased rate of expansion, the company no longer needed to provide for deferred tax.

Mr Peacock said: "Inevitably the faster rate of development of our business and the introduction of scanning is increasing the costs associated with new branches and must restrain our profits growth to some extent."

The interim dividend is raised to 1.87p (1.68p).

● COMMENT

Profit margins are obviously being squeezed by N&P's expenditure in laser scanning, new catering products and a centralised distribution service. However, all this investment should pay off in the longer term and the stock looks a solid defensive hold. Forecast full-year profits of up to £25m put the shares, up 1p to 154p yesterday, on a prospective multiple of about 11. That seems fair value, now that takeover speculation has receded concerning the 8.9 per cent stake held in the company by SHV, the Dutch conglomerate, which pushed the shares above 200p last year.

Maxwell to speed up debt-cutting disposals

By Raymond Snoddy

MR ROBERT Maxwell, the publisher, is planning an accelerated programme of disposals within Maxwell Communication Corporation to reduce group debts as quickly as possible.

Earlier this year the MCC chairman said he planned to sell "non-strategic" businesses worth about $800m (£492m) plus about $150m in surplus property.

At yesterday's MCC annual meeting, Mr Maxwell said he was "determined to continue further substantial reduction in borrowings in the current financial year and that the aim was to reduce gearing from its present 1.5 or 1.6 to 1 as soon as was practical.

This will involve further disposals worth between $400m and $500m, bond issues and sale of securities.

"I do not enjoy running a highly leveraged company and want to get back quickly to being equity rather than debt-led.

MCC debts taken on to purchase Macmillan, the US publisher, and the Official Airline Guides peaked last September at $2.7bn and was down to $1.9bn by June.

Mr Maxwell told over 200 shareholders at the meeting that negotiations were well advanced to sell a number of parts of the business, but he would not name any.

He also disclosed he had recently spent £75m buying shares to support the share price in the period following the announcement of pre-tax profits of £172.3m.

One shareholder challenged Mr Maxwell on the company share price, saying: "It seems to be at rock bottom because people believe you cannot pay your debts."

Mr Maxwell replied: "People who believe we cannot pay our debts are wrong."

Mr Leon Woolf, another shareholder, said: "This company is becoming rather like a soap opera. Every week there is something going on. I think it is about time it should end."

The meeting was picketed by 23 journalists sacked by Mr Maxwell's Pergamon Press last year after going on strike.

Examiner has 'constructive' talks with Goodman banks

By Maggie Urry

MR PETER Fitzpatrick, the examiner appointed by the Irish High Court to Goodman International, yesterday met the banks which are owed I£460m (£422m) by Mr Larry Goodman's beef processing group.

After the meeting, which lasted most of the day, Mr Fitzpatrick said the discussions had been "frank and constructive."

The group admitted late last month that it was in financial difficulties and was given the protection of the court under newly-enacted legislation a week later. This protection lasts for three months and could be extended for another month if the court agrees.

Mr Fitzpatrick has until October 10 to make a report assessing the viability of Goodman International. If it is to survive it will need to retain the support of its banks. As well as the I£460m of unsecured loans, banks had provided guarantees of I£200m. Shareholders' funds at Goodman's last year end were only I£191m.

Bankers had been expected to push yesterday for security for their loans and better terms. Unless these are forthcoming they could threaten to call in a receiver once the court protection expires.

The meeting was held at the head office of Allied Irish Banks – one of the lenders – and was attended by representatives of all 33 banks involved. Mr Goodman was not present.

Mr Fitzpatrick, of accountants Coopers & Lybrand, said last night that he and the bankers had agreed to keep what was said at the meeting confidential.

However, some banks are known to be uneasy about the examiner system which has not been used in Ireland before.

Banks see it as unhelpful to them, although it allows the company to continue trading, especially as the examiner can sell assets and raise new borrowings which will rank higher than existing debt if a break up of the group is eventually necessary.

The examiner is returning to the High Court next week to ask for an increase from I£25m to I£55m in a borrowing facility arranged last week to cover the company's working capital needs.

The industry is reaching the peak autumn slaughtering season when these needs are at their highest.

The examiner has estimated that a I£55m facility will cover Goodman's requirement for the whole season. The figure is much lower than some earlier estimates as beef being processed is now being sold into intervention, and the group receives payment more quickly than when it was exporting beef.

One of the problems which led to Goodman's difficulties was that Iraq owed it I£180m for beef supplied over the last 18 months, and all payments were frozen following Iraq's invasion of Kuwait at the beginning of August.

Trade with Iran had also been disrupted because of fears over BSE or "mad-cow" disease.

Acquisitions lift Wm Baird

By Andrew Jack

RECENT Acquisitions helped William Baird, the textile and engineering group, lift pre-tax profits by 9 per cent to £12.9m in the six months to June 30.

Turnover rose by a quarter to £240.32m (£191.53m) and operating profits advanced 17 per cent to £15.16m.

Earnings per share were up 0.2p to 8.8p. The interim dividend is raised 9 per cent to 3.55p. The shares rose 3p to close at 213p on the day.

"It is a solid performance," said Mr Donald Parr, chairman. "Not brilliant, but good in the conditions that are around. Business has been nice but not easy."

Approximately half of the profits and turnover increase was due to acquisitions, he added. In addition to the purchase of three companies during the first half of 1990, several bought last year are now showing returns for a full six months.

Higher interest rates, and the cost of new acquisitions doubled interest payable to £2.53m (£1.39m), with gearing increasing to about 25 per cent, according to the company.

The performance was consistent in both of the company's divisions, with Baird Textiles reporting operating profits up 22 per cent to £10.4m on a turnover up from £148.17m to £185.5m.

The division achieved volume gains in both contract and branded clothing, although margins were stable.

It acquired two women's wear businesses in February.

Darchem, the engineering division, raised operating profits modestly to £4.76m (£4.5m) on a turnover up 26 per cent to £54.82m (£43.36m).

The increase was helped by the purchase of ACR Heat Transfer Manufacturing in May.

● COMMENT

Solid and reliable: hardly typical adjectives for UK textiles, but ones that Baird seems able to justify with promising results.

Its strangely chalk-and-cheese divisions, engineering and textiles, may not be a particularly logical mix, but the company is committed to both, and they do offer balance.

Sourcing 25 per cent of clothing production in Asia looks prudent with sterling so strong. So does having Marks and Spencer as a customer for a quarter of sales, as they expand into Europe and out-of-town shopping centres.

Contracting delays and the termination of nuclear thermal insulation business have temporarily hit engineering.

The shares have outperformed over the last few months. Several analysts held their full year projections unchanged.

On a conservative £35.5m profits before tax, earnings per share are 25p, for a p/e of 8.6.

UK COMPANY NEWS

More O'Ferrall dips 54% to £1.98m but shares rise

By Clay Harris, Consumer Industries Editor

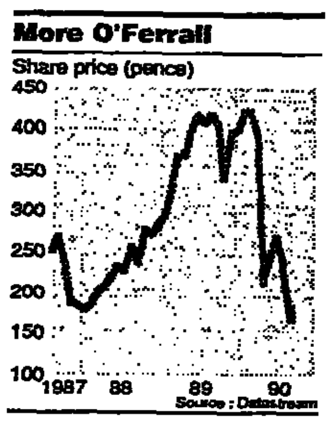
MORE O'FERRALL, the *outdoor* poster contractor, suffered a 54 per cent decline in interim pre-tax profits to £1.98m.

The company, which specialises in bus shelters and huge "supersite" hoardings, had warned in April after a sudden collapse in bookings that profits for the six months to June 30 would fall short of the £4.29m achieved in the 1989 first half.

Its shares, however, gained 17p to 187p on yesterday's results. This reflected not only a maintained interim dividend of 3.2p, even though earnings per share fell to 5.2p (11.8p), but also a more optimistic *outlook* on bookings.

Mr Russell Gore-Andrews, chairman, said he expected a "very strong recovery in profitability" in the second half, although full-year profits would not match the 1989 figure of £13.09m.

Adshel, the bus shelter subsidiary, increased the rates for its illuminated Superlite panels by 10 per cent from the autumn. Firm bookings for the fourth quarter have been taken for 80 per cent of the sites.



First-half turnover rose by 14 per cent to £27.65m (£24.25m). The UK and Ireland managed a 5 per cent increase in turnover because of extra capacity, although operating profit from the two countries fell by 44 per cent to £2.26m.

More O'Ferrall has reduced planned *capital expenditure for* 1990 from £19m to £10m. Adshel will be adding only 2,100 *Superlite panels this year* to make a total of 21,000, instead of an original target of up to 24,000.

Investment was also deferred in France, where Mr Gore-Andrews *said order books* continued to be short-term.

The company's interest bill increased to £1.41m (£812,000), largely because of the £5.9m acquisition in March of the Belgian Visibility Group.

● COMMENT

As much as anything, yesterday's 10 per cent recovery in More O'Ferrall's share price was a sigh of relief. Cautious optimism on trading was buttressed by a hopeful outlook on the final dividend.

If pre-tax profits emerge at £10m, the top of a narrow range, earnings per share of 25.5p would be close enough to justify maintaining the total pay-out at 13.2p, even though this falls below the company's minimum target cover of two times eps. If so, the prospective yield is an attractive 9.4 per cent, compared with a p/e of only 7.3.

The shares must have rebounded off the bottom by now, as they certainly should have since they were trading at more than 400p as recently as March. A thin market magnifies price movements, but do not expect any quick return to favour.

Strong accounts growth helps AMV increase to £2m midway

By Andrew Jack

ABBOTT MEAD Vickers yesterday bucked the trend in the advertising and marketing sector with a 15 per cent increase in taxable profit from £1.84m to £2.11m for the six *months to June 30. Turnover at* the agency rose 16 per cent from £54.32m to £63.25m.

Earnings per share rose 10 per cent to 9.6p (8.72p) and the directors recommended a 0.3p *increase in the dividend to* 2.7p. The shares closed down 8p to 213p on the day, in line with the sector.

"At a time when people are crying 'Armageddon' in advertising, we are really very pleased with these results," said Mr Peter Mead, group chief executive.

The improvement has been entirely through organic growth. In spite of protracted negotiations to buy the New York advertising firm Scali McCabe Sloves last year, no acquisitions have taken place in the interim.

"We have looked at twelve companies over the last two *years. None has matched our* expectations," said Mr Mead.

New accounts won during *the first half included the* Royal Bank of Scotland, Bisto Gravy, Reed International and Beefeater Gin, worth in total £16m, the same figure as for the whole of 1989.

Peter Mead: possible acquisitions failed to match expectations

Mr Mead said the company had just been invited to tender *for three clients with combined* business worth over £20m.

"It is an absolutely unyielding *principle that we do not* make people redundant," said Mr Mead.

Mr Quintin Price, analyst with James Capel, said yesterday: "AMV has an extremely good culture, and extremely mature and responsible man*agement." Cash balances* exceed £5m, and the company has no debt. He projected full*year pre-tax profits of £6.2m.*

AMV also announced the appointment to the board of Mr Peter *Gill*, who moves from company secretary to group development director.

Gowrings embarks on new strategy after 68% decline

By Don Farrell

AS FIRST-HALF profits have slumped 68 per cent and the outlook is not good, directors *of Gowrings* have decided on a new corporate strategy.

This means pulling out of *motor trading* by selling the two Ford dealerships and the contract hire company, and disposing of the interest in the golf club at Sandford Springs.

The group will then concentrate on the development and expansion of its two core businesses: restaurants, comprising its Burger King operations and the Rocco's pizza outlets in the UK and Spain; and the mobile home parks, comprising the existing residential park business and the possible expansion into holiday parks.

In the first half of 1990 group turnover improved to £31.5m (£30.38m) but profit fell from £510,000 to £163,000. Earnings per share were 1.2p (5.5p) but the interim dividend is held at 2.25p.

Mr John Fowles, chairman, said the main contributors to profit in 1989, namely motor *dealerships and residential* park homes, fared particularly badly because of very difficult trading conditions.

In motor, pre-interest profit slumped to £158,000 (£730,000). Sales of new cars were 30 per cent down and there was a marked deterioration in profit margins *on both new and used* car sales. Fleetlease incurred a loss mainly because of substan*tial increase in maintenance* and relief vehicle costs.

Park Homes also saw its sales drop 30 per cent as it was seriously affected by the slump in the housing market.

Food Services, which operates three Burger King restaurants, traded well and a further unit should be opened in Banbury in November.

As to selling the interest in the golf club, Mr Fowles said it had to be decided whether to invest further large amounts in building the 100 bedroom hotel. But it was decided not to increase borrowings to do so, particularly as the return on capital from golf was very low and benefits from the hotel project would not accrue for several years.

The group made a substantial profit on the disposal of its *holding in GWR Group at* the beginning of the year. The sale of further shares in Newbury Racecourse in the second half was under consideration, Mr Fowles said.

Lopex weathers sector slowdown with 18% rise

LOPEX, the advertising and marketing services group, lifted taxable profits by 18 per cent to £4.01m in the six months ended June 30 compared with a previous £3.39m.

Lord Marsh, who took over as chairman after Mr John Castle's departure in May, said that consumer advertising results in the UK were in line with original forecasts and in most of the rest of Europe were only marginally lower. Client spending continued to be weighted towards the second half.

He *added that a supreme* effort had been made by the management and staff of the trading companies to combat the slowdown in the UK economy in general and in the marketing sector in particular.

Earnings per share dipped to 9.5p (9.9p) *but the interim dividend* is held at 2.9p.

Turnover for the half year advanced by 50 per cent to £120.19m (£80m) and operating profits came through at £4.24m (£3.28m).

Profits from related companies added £698,000 (£692,000) while interest payable, less interest and dividend income, took £924,000 (£580,000).

Tax rose to £1.68m (£1.33m) *and there was an extraordi*nary £338,000 (£179,000) debit representing compensation for *loss of office of Mr Castle,* together with associated costs.

James Wilkes more than doubles to £2m

James Wilkes, a specialist *manufacturer of consumables* and engineered products, more than doubled taxable profits from £873,000 to £2.1m for the six months to June 30.

The group's turnover rose to £21.46m (£8.96m), helped by a better than expected performance by Floform, which was acquired in December 1989.

The acquisition, however, increased group borrowings and interest payable increased *to £1.03m (£414,000).* Tax took £548,000 (£209,000).

Mr Stephen Hinchliffe, chairman, *said over 60 per* cent of the group's trade was in overseas markets which sheltered it from the worst of the UK recession.

The group now owns 74 per cent of Easterbrook Allcard after legal action against certain shareholders. Steps to reduce borrowings include the sale of surplus property worth about £2.5m.

Earnings per share rose to 8.9p (7.2p) and an interim dividend *of 4.5p* (4.25p) is declared.

Tibbett & Britten ahead 42% to £5.4m

Tibbett & Britten Group, the *transportation and distribution* services concern, lifted pre-tax profits by 42 per cent from £3.8m to £5.4m for the first *half* of 1990.

Turnover jumped 70 per cent to £71.77m, of which £13m came from organic growth within the existing business – a 31 per cent rise.

Mr John Harvey, chairman, said the lower operating margin reflected the high development costs associated with *some new contracts*, together with current pressures on the National Division, which is *engaged in the clothing* field.

He said the group had already added substantially to both its human and material resources. The board continued to seek development opportunities and suitable acquisitions.

After tax of £1.89m (£1.33m) earnings per share were 2p higher at 10.5p. The interim dividend is raised to 2.9p (2.4p).

The company is proposing to cancel its share premium account.

Notice of Redemption

European Investment Bank

US$ 150 000 000 10,25% Notes due 1992

Notice is hereby given that pursuant to the provisions of the above-described Notes («The Notes»), The European Investment Bank has elected to redeem all of the outstanding Notes on October 16, 1990 at the redemption price of 100½% of the principal amount thereof.

On October 16, 1990 the Notes shall become due and payable. Notes should be presented and surrendered for payment together with all unmatured coupons, failing which the amount of the missing unmatured coupons will be deducted from the sum due for payment. Payments will be made in United States dollars at any of the offices listed below.

Coupons due on or before October 16, 1990 should be detached and collected in the usual manner.

On and after October 16, 1990 the date fixed for redemption, interest on the Notes will cease to accrue.

Dated: September 13, 1990

European Investment Bank
Luxembourg

Fiscal Agent
Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich

Paying Agents

Morgan Guaranty Trust Company
of New York
35 Avenue des Arts
1040 Brussels

Morgan Guaranty Trust Company
of New York
23 Wall Street
New York NY 10015

Union de Banques Suisses (Luxembourg) S.A.
36–38 Grand'Rue
L-2011 Luxembourg

Offer by J. Rothschild Capital Management Limited
on behalf of General Oriental Investments Limited,
J. Rothschild Holdings plc and RIT Capital Partners plc
for ordinary shares in and convertible bonds
of Anglo Group PLC

NOTICE TO NON-ASSENTING BONDHOLDERS

pursuant to Section 429(4) of the Companies Act 1985 and Section 430(F) of the Companies Act 1985 as inserted by Schedule 12 to the Financial Services Act 1986

A takeover offer ("the Offer") was made on 24th July, 1990 by J. Rothschild Capital Management Limited on behalf of General Oriental Investments Limited, J. Rothschild Holdings plc and RIT Capital Partners plc ("the Offerors") to acquire the whole of the outstanding issued share capital of Anglo Group PLC ("Anglo") and the Anglo bonds not already owned by GOIL, JRH and RIT. Words and expressions defined in the Offer Document of 24th July, 1990 are to have the same meanings in this Notice. The Offerors have within four months of making the Offer acquired or contracted to acquire not less than nine-tenths in value of all the Anglo bonds to which the Offer relates which by virtue of the provisions of sections 428 to 430 (inclusive) of Companies Act 1985 fall to be acquired by the Offerors under the above sections. The Offerors hereby give notice that they now intend to exercise their right under section 429 of the Companies Act 1985 to acquire the Anglo bonds held by you.

The terms of the Offer are:

For every £100 nominal of Anglo bonds — **31.50 Ranks Hovis McDougall PLC ordinary shares**

and so in proportion for any other number of Anglo bonds.

The Offer also contained, in the alternative, a Cash Alternative, which provided a consideration as follows:

For every £100 nominal of Anglo bonds — **£107.10 in cash**

and so in proportion for any other number of Anglo bonds.

As the terms of the Offer as shown above originally included a choice of consideration, you should within six weeks of the date of this Notice inform the Offerors in writing at National Westminster Bank PLC, New Issues Department, P.O. Box 33, 153-157 Commercial Road, London E1 2DB which of the choices you wish to accept. If you fail to make a choice and do not make application to the Court (see below), the Offerors will acquire your Anglo bonds on the terms of the Bond Exchange Offer stated above.

NOTE: You are entitled under section 430C of the Companies Act 1985 to make application to the Court within six weeks of the date of this Notice for an order either that the Offerors shall not be entitled and bound to acquire your Anglo bonds or that different terms to those of the Offer shall apply to the acquisition. If you are contemplating such an action you may wish to seek legal advice.

For and on behalf of the Offerors
Michel Smidof
Director
General Oriental Investments Limited
Clive Gibson
Director
J. Rothschild Holdings plc and RIT Capital Partners plc

Dated 12th September 1990

UK COMPANY NEWS

Savoy Hotel cautious after decline to £5.3m

By Maggie Urry

SAVOY HOTEL Group, the owner of luxury hotels, restaurants and a health farm, suffered a 4 per cent drop in pre-tax profits in the first half of 1990, as rising costs squeezed margins. The pre-tax outcome was £5.3m, down from £5.58m.

Mr Giles Shepard, managing director, said he was disappointed by the results, and warned that in the second half some effect of the crisis in the Middle East and the strength of the pound against the dollar and European currencies would be felt. So far, though, bookings were good for the second half, he said.

Savoy spent most of the 1980s in a long-running battle with Trusthouse Forte, the hotel and catering group, which wanted to acquire the company. The two settled their differences in November last year, with THF taking two places on the Savoy board and promising not to buy any more Savoy shares for five years.

Mr Shepard said of the figures "it was good to see turnover up by slightly more than inflation." Sales rose by nearly 13 per cent to £45.6m (£40.49m). Occupancy rates were about the same as in the comparable period, and he attributed the turnover rise to "a higher level of spending by visitors from abroad". He said the hotels had held their market share.

Giles Shephard: wary on effects of Gulf crisis and strong pound

However, costs had risen more rapidly, up 15.5 per cent to £40.3m, leaving operating profit margins at 11.7 per cent, compared to 13.9 per cent in the first half of last year.

Wages rose by 10 per cent and the depreciation charge by 18.5 per cent. Also, Mr Shepard said, the introduction of Uniform Business Rate had added about £200,000 to first half costs and would have a bigger impact in the second half. There was no net interest to pay, compared to a net charge of £58,000.

Earnings per share for the A low-voting shares fell to 12.3p (13p) and for the B high-voting shares to 6.2p (6.5p). The A shares shed 8p to 910p yesterday while the B shares were unchanged at £142¼.

Great Western Resources to raise £37.6m

By Graham Deller

GREAT WESTERN Resources, the coal, oil and gas exploration and production group which is registered in Texas but quoted in London, yesterday unveiled a £37.6m rights issue.

Mr Dan Peña, chairman, said the issue would provide the group with "sufficient financial flexibility to capitalise on the opportunities currently available in the US to continue Great Western's asset and cash flow growth."

The issue is of 20.22m common shares on a 2-for-7 basis at 190p. The Kuwait Investment Office, which controls 29.8 per cent of the capital, has irrevocably undertaken to take up its full entitlement to 6.03m shares.

The balance is underwritten by Samuel Montagu.

Great Western is currently negotiating with a number of potential partners to secure further acreage blocks in the Gulf of Mexico, either through farm-in opportunities or by participating in lease sales in federal and state waters.

Wyevale Garden Centres plans £8m rights issue

SHARES OF Wyevale Garden Centres yesterday tumbled 23p to 305p after the USM-quoted group accompanied a near-14 per cent expansion in interim profits with an underwritten £8.25m rights issue, writes Graham Deller.

The group is to issue up to 3.44m new ordinary shares at 250p on a 9-for-20 basis and also 1 share for every 5 convertible preference shares held.

Directors also propose a subdivision of shares.

In spite of unfavourable weather, Wyevale lifted taxable profits from £1.39m to £1.58m in the six months to June 30.

The outcome was struck after interest charges of £135,000 (£11,000 receivable) and came on sales ahead 19 per cent to £10.99m (£9.27m).

The interim dividend is raised to 2.25p (1.8p), payable from diluted earnings per share of 13.5p (12p).

NEWS DIGEST

Squeeze on margins at Hall Eng

PRESSURE ON operating margins, particularly in its steel reinforcement activities, but also in metal stockholding, resulted in a sharp contraction in first half profits at Hall Engineering (Holdings).

Although turnover for the six months to end-June 1990 edged ahead to £92.88m (£89.63m), taxable profits dived 42 per cent from £6.1m to £3.56m in spite of an improved contribution of £1.63m, against £1.35m, from associated companies.

The announcement bore out the warning on profits delivered by the Shrewsbury-based company in June. Hall shares fell 10p to 105p yesterday against a peak for the year so far of 197p.

Mr Richard Hall, chairman, said the group had reached the final stages of its recent capital investment programme, including a £10m stockholding development at Daventry in Northamptonshire, and that this, together with higher interest rates, was reflected in interest charges which more than doubled from £1.21m to £2.51m.

Hall's problems stem from the intense competition in the steel reinforcement market. It has undertaken a substantial rationalisation programme at its British Reinforced Concrete Engineering (BRC) subsidiary involving a plant closure and job losses.

The moves – now completed – cost £545,000 but will give an annual saving of about £1m, Mr Hall said, although this may not show through in the immediate future as a result of the "significant deterioration in the trading environment affecting BRC".

Of the provision, £339,000 was taken above the line, although this was more than offset by exceptional gains totalling £915,000 from the disposal of surplus properties.

After an estimated tax charge of £1.14m (£1.89m) earnings dipped to 8.63p (14.1p) per 50p share.

The interim dividend is in effect maintained at 3.3p.

Co of Designers gives loss warning

Following a slump in interim profits, Company of Designers, the USM-quoted design consultancy, yesterday warned of losses for the full year, which would reflect rationalisation costs and increased provision for bad debts.

Against a background of problems in the construction industry, the company's offices in East Anglia and in the west of England were experiencing difficult trading conditions.

As a result, action was being taken to rationalise and reduce the company's cost base in line with current workloads and the depressed economic situation.

The directors said, however, that the company had a strong forward order position and action taken and proposed was expected to return it to profitability in the coming year.

The shares fell 4p to 21p yesterday.

Golden Vale down 5% but optimistic

In spite of a slight fall in interim profits, Golden Vale, the recently listed County Cork-based dairy group, said yesterday that the outcome for the year would represent significant progress.

The six months to June 30 ended with pre-tax profits down 5 per cent from I£5.59m to I£5.32m (£4.9m).

A dividend of 0.24p was paid in May and the directors expect to recommend a payment of 1.14p for the year to December 31.

Turnover in the first half at the former co-operative rose 12 per cent to I£111.56m. Share of profit of associated companies came to I£220,000 (nil). Net interest payable rose to I£307,000 (I£276,000). After tax of I£140,000 (nil) earnings per share fell to 3.17p (4.37p).

Radio setback holds Aspen to 13% rise

Aspen Communications, the USM-quoted communications, specialist printing and marketing services group, raised pre-tax profits by 13 per cent from £2.46m to £2.79m in the first half of 1990, on turnover 32 per cent higher at £31.22m.

There was organic growth in three divisions, but a reverse in the radio communications operation. With earnings per 5p share up 0.4p to 14.5p, the interim dividend is lifted to 2.7p (2.4p).

Mr Henry Meakin, chairman, said the board anticipated a satisfactory full year result and felt that there were fundamental grounds for optimism.

£1m write-off pulls down Try Group

Try Group, the construction and property development combine, lifted its trading profit in the first half of 1990 but showed a reduced pre-tax balance after a £1m housing land write-down.

Pre-tax profit fell from £1.46m to £528,000. That led to earnings per share of 1.64p (5.47p) but the interim dividend is maintained at 2p.

Mr Hugh Try, chairman, said the group would continue to be affected by the depressed market conditions in housebuilding. The balance sheet at the half year was in "good shape".

Turnover rose from £45.24m to £64.87m while the pre-interest profit increased from £1.17m to £1.55m. There was an interest charge of £25,000, however, compared with a receipt of £295,000.

Severfield-Reeve warns of slowdown

Severfield-Reeve yesterday reported a 38 per cent rise in taxable profits in the six months to June 30, but noted pressure on margins during the period, which was continuing to be a factor.

Mr John Reeve, chairman, said margins in the first half fell from 16.7 per cent to 12.6 per cent. He added that due to the continuing pressure, full-year profits were expected to be only marginally ahead of 1989.

This USM-quoted company is engaged in the design, fabrication and erection of structural steel.

The interim advance from £946,000 to £1.31m was scored on sales up 88 per cent to £11.64m (£6.2m). An unchanged interim dividend of 1p is to be paid on earnings per share of 8.2p (6.47p).

Burford advances 46% to £1.35m

Burford Holdings, property investment and trading group, increased pre-tax profit by 46 per cent, from £925,000 to £1.35m, in the first half of 1990.

The directors said the immediate outlook for the property market continued to be difficult.

By the year end the rent roll should be in excess of £4m annually, they said. They also noted that after the sale of Henrietta House and the purchase of Smallbrook, Queensway, "we will have no debt and indeed will have substantial cash available for reinvestment."

Earnings per share came to 0.75p (0.49p) and the interim dividend is lifted to 0.4p (0.3p). Realised investment property surpluses were £150,000 (£2.5m).

Big cut in Orchid Technology losses

Orchid Technology, a USM-quoted maker of microcomputer accessories, reduced pre-tax losses significantly to $785,000 (£421,250) for the year to June 30, compared with $3.85m previously.

The California-based group's revenue fell over 19 per cent to $24.63m ($30.54m), but inventory liquidation and restructuring costs were also much lower at $603,000 ($2.54m). Tax benefits amounted to $660,000 ($1.49m).

Loss per share worked out at 4c (45c) per share. Again there is no dividend.

Erith down to £1.4m midterm

In the difficult trading climate, Erith considered pre-tax profits of £1.42m in the first half as "not unsatisfactory."

It compared with £1.82m and stemmed from turnover of £41.46m, against £45.42m.

Mr Graham Davies, chairman of this builders' merchant, said high interest rates, a slowdown in the commercial and industrial sectors, and the rising business failure rate all had their consequent affect on profits.

In response new markets were explored, tight cost control applied, staff reductions made, and prudent stock management exercised.

Earnings fell to 2.16p (2.85p) but the interim dividend is held at 1.8p.

As a measure of confidence in the longer term, a new branch had been acquired in Canterbury, a new brick factoring division formed, and there will shortly be launched an insulation and fire protection division.

COMMODITIES AND AGRICULTURE

UK and French farmers seek emergency aid

By George Graham in Paris

BRITISH and French farmers yesterday buried the hatchet and agreed to present a joint demand to the European Commission for emergency aid for livestock farmers.

Mr Raymond Lacombe, chairman of the Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA), the main French farm union, and Sir Simon Gourlay, chairman of the UK's National Farmers' Union (NFU), called for immediate intervention in the beef and sheepmeat markets in an attempt to avert the "excessively deep crisis" afflicting farmers in both countries.

In the beef sector, Mr Lacombe said the two farm unions had agreed to demand effective market intervention to raise prices, as well as efforts to stop unwelcome imports from eastern Europe, especially East Germany.

Suckler cow premiums and beef special premiums must also be increased, the unions said.

For sheep farmers, the FNSEA and the NFU urged curbs on third country lamb imports and more efficient use of EC market support mechanisms.

They demanded the immediate payment of the second instalment of this year's ewe premium; payment this year of the 4 Ecu per head supplementary ewe premium for farmers in less favoured areas, not due to be introduced until 1991; and the non-application in 1990 of the stabiliser mechanism, which reduces premiums if too much sheepmeat is produced.

Sir Simon said that in the medium term the Community must completely overhaul this stabiliser mechanism.

"In the sheep sector it is a very crude mechanism and does not reflect the reality of the market. The renegotiation of the stabiliser mechanism for the sheep sector we see as very important," he said after a meeting with Mr Lacombe in Paris.

The two farming leaders said that they had concentrated on the underlying problems affecting livestock farmers in France and Britain, and had not let their talks be clouded by the tension of the last few weeks, during which French farmers have attacked British meat lorries and burned sheep alive, and Welsh sheep breeders have retaliated with a boycott on French food products.

Sir Simon said: "Our response is not to try to escalate this into a trade war but to try to seek solutions to the underlying problems."

Government stands firm on meat exports

By Richard Gourlay

MR DAVID Curry, junior Agriculture Minister, yesterday ruled out the export of meat carcasses instead of livestock as a way to reduce inhumane treatment of animals, signalling that the British government has no plans to back down in the face of continuing violence by some French farmers against transporters of live sheep to abattoirs.

At the Farm Animal Welfare conference on humane farming methods, Mr Curry said the Government was reluctant to give a propaganda victory to "that small group of terrorists currently active in France."

Mr Curry, whose constituency in Yorkshire includes many sheep farms, said pressure would have to be increased on the French government. There was no easy recourse for Britain to European Community law.

French restraint of Britain's sheep exporters was not a problem for the EC Agriculture Council to resolve, but a question of properly implementing community law allowing free movement of goods.

Mr Curry said legislation to introduce more humane farming methods was being considered but Britain could move no faster than majority EC voting would allow.

Several papers presented to the conference suggested there were financial benefits to farmers and meat processors from the use of more humane methods although it is difficult to quantify.

Dr Jane Guise, the director of a research venture with J Sainsbury, the supermarket chain, said studies of pigs showed less crowded transportation, less use of electric goads and less overnight stays had led to improved quality and quantity of meat at the abattoir and had led to changed practices.

If suggested improvements for pig welfare were fully implemented, industry profitability would increase by £27.15m a year or £1.80 per pig, she said.

Gencor to search for platinum in Bolivia

By Kenneth Gooding, Mining Correspondent

GENCOR, the South African group, hopes to find commercial platinum group metal deposits in Bolivia. It is the latest mining company to see the potential of this South American, mineral-rich country where exploration has recently begun to get under way again after a 40-year hiatus.

Gencor (General Mining Union Corporation) has bid for the whole of a 240,000 hectares (about 500,000 acres) area on the tropical plains in the east of Bolivia called Rincon del Tigre.

It was here that the British Geological Survey completed its largest project outside the UK, a geological mapping programme costing £7m and lasting for 10 years. However, since this was finished in 1986 virtually no exploration has been undertaken to follow up the BGS work, apart from gold exploration by Comsur, a Bolivian national company.

This was one of the examples quoted yesterday at a seminar in London designed to encourage mining companies to look again at Bolivia.

Mr Charles Bruce, vice-president of Mintec, a consultancy group based in La Paz which organised the seminar, said: "Bolivia's shortest road to economic reactivation is, unquestionably, through mining. It lacks capital and has opened its doors to the investor, both national and foreign, to explore for and to develop a new and modern mining industry."

Mintec's experience suggested that an aggressive mineral exploration and development programme, involving perhaps 20 companies and costing a total of about US$662m, in five years could generate nearly $1bn a year from base and precious metal mines.

A number of foreign companies are already sizing up opportunities in Bolivia. Battle Mountain of the US has bought 30 per cent of Inti Raymi, a gold miner, for $16.5m and may invest another $90m. RTZ Corporation of the UK has bought 30 per cent of Comsur and taken a 50 per cent stake in a joint venture with the same Bolivian company.

Among Mintec's clients active in the country are Niuguini Mining, Battle Mountain's Australian subsidiary, Cominco of Canada, and Minproc of Australia.

Mr Bruce pointed out that the Bolivian government's new investment law, enacted on September 5, gave foreign companies equal rights with those in Bolivia.

Lights going dim in eastern Europe

Judy Dempsey investigates energy shortages caused by the Gulf crisis and declining cheap supplies from the Soviet Union

AS THE nights grow longer in eastern Europe, the oil supplies continue to dwindle. It was bad enough when the Soviet Union reneged on its contracts and reduced its energy supplies to eastern Europe for this year. But at least these countries could still have looked to Kuwait and Iraq to make up some of the shortfalls.

The Gulf crisis has ruled out that option. The lights, though not quite going out, are certainly dimming throughout eastern Europe.

But how serious are the energy shortages in eastern Europe? Can the Soviet Union help compensate for the twin shortfalls faced by these countries? The shortfalls are as follows:

- Poland obtained 5.39m tons of Soviet oil, or a shortfall of 23 per cent. It had planned to import 3.8m tons of oil from Iraq as part payment for contracts carried out in Iraq which exceeded $500m.
- Czechoslovakia obtained nearly 200m tons of oil from the Soviet Union in 1989. Deliveries for July and August were cut by 15 per cent of the agreed 16.6m tons per month. The shortfall could have been met by Iraq's outstanding debt of $1.7bn, earned largely from arms exports.
- Hungary was due to receive 6.48m tons of oil from the Soviet Union this year. Deliveries for July were reduced by 30 per cent. The overall shortfall could be as high as 22 per cent. Part of it could have been met through supplies from Iraq partly in lieu of its $300m debt to Hungary.

In the longer term, Hungary was in the final stages of winning a deal with Kuwait whereby, in return for obtaining a foothold in the retail market, and refining its oil in Hungary, Kuwait would supply Hungary with guaranteed amounts of energy. Ultimately that would have broken Hungary's dependence on the Soviet Union.

- Bulgaria was due to receive 12.7m tons of Soviet crude and petroleum products this year. Supplies for the first seven months fell by 1.7m tons. Mr Valentin Bozhilov, an official at the Bulgarian foreign ministry, said the country had planned to obtain 2.6m tons of oil from Iraq, partly in lieu of Iraq's debt of $1.2bn. However, he said the Soviet Union would make up the shortfall.

All four countries completely depend on the Soviet Union for its energy supplies.

- Romania, which imported 3.9m tons of Soviet crude in 1989, has, so far, not been affected by Soviet cutbacks. The bulk of its energy imports, 17.9m tons, were obtained from Iran and Saudi Arabia. Iraq's outstanding debt to Romania is more than $3bn. However, the higher prices and the disruption in the Gulf has already affected the country. The quantity of crude refined last month at the petrochemical combine at Midia-Navodari near the port of Constanta on the Black Sea, fell from 329,000 tons to 180,000 tons.
- Yugoslavia was due to import 30 per cent, or 3.5m tons of its annual supplies of crude from Iraq this year, probably in part payment for the outstanding $3bn owed by Iraq to Belgrade.
- Albania has not published any statistics about its energy imports. However, a report recently broadcast by Tirana radio stated that because of the domestic energy crisis, Albania would have to purchase 11,000 tons of oil "on the foreign market," which will cost "about $1.7m."

USSR OIL EXPORTS TO E. EUROPE 1989 (m tonnes)

Country	Crude	Products	Total shortfall	*1990 shortfall
Bulgaria	11.46	1.17	12.64	10-15
Czechoslovakia	16.6	0.26	16.86	15
E. Germany	20	0.12	20.13	
Hungary	0.006	1.47	7.79	22
Poland	13.04	2.13	15.16	27-28
Romania	3.94	0.007	3.95	
Yugoslavia	7.18	2.42	9.6	

Source: PlanEcon Report June 1990 *estimated per cent

The picture clearly illustrates the trap into which eastern Europe has now fallen. Years of dependence on cheap Soviet oil meant countries did not look for alternative supplies of energy.

Also, the oil refineries in eastern Europe were designed to cater only for Soviet crude, hence the importance of the planned Hungary-Kuwait contract.

The psychological dependence on Soviet oil, and what was regarded as permanent, guaranteed supplies of Soviet oil, did not encourage consideration of switching to other sources of energy, let alone cuts in domestic consumption.

These arguments were raised by Mr Yevgeniy Osadchuk, the Soviet deputy Minister of Foreign Economic Relations, in a recent radio interview. Because the Soviet Union was subsidising its energy exports to eastern Europe, it was encouraging waste.

Instead of giving optimism to the countries of eastern Europe that the shortfalls would be met later in the year, despite breaches of contract, he said the Soviet Union was not in a position to do this. He cited several reasons.

First, Soviet oil production will fall to 585m tons this year, compared with 607m in 1989, and 624m in 1988. Izvestia, the government daily recently reported that in 1989, oil production had fallen by 3 per cent, and oil exports from the Soviet Union had declined by 17m tons. Oil production fell by a further 4 per cent during the first quarter of this year.

Izvestia said: "If present trends continues, in the 1990s, the USSR will be extracting only 560m to 580m annually. It could soon happen that the the USSR will find itself short of not only surplus oil for export, but also oil essential for its own consumption." Neither reports made any reference to the country's reserves.

Second, the Soviet Union was due this year to receive from Iraq 10m tons of crude in payment for contracts. "This oil was to be distributed among several east European countries," Izvestia said.

Third, the newspaper also reported that the Soviet Union had an agreement with Kuwait whereby Kuwait undertook to subsidise the development of Soviet oil recovery in parts of Siberia and the Artic regions where new deposits were located but where access was difficult.

What then are the options for eastern Europe?

Soviet press reports have made it clear that deliveries to eastern Europe by the end of the year will be reduced from the planned 70m tons to 56m. Next year will be worse. Mr Osadchuk said it would be logical to further reduce deliveries of Soviet liquid fuel to the countries of eastern Europe

One possibility is that oil supplies might be improved if eastern Europe exported more finished goods in proportion to Soviet exports. But the last thing the new democracies want is to orientate their trade eastwards. Besides, beginning on January 1, trade between the Soviet Union and eastern Europe will be conducted on a dollar clearing system. But no matter which countries eastern Europe turns to for extra oil, they will require hard currency.

The short term options could involve financial assistance by the European Community to see eastern Europe through this winter.

This point was raised by Mr Jozsef Antall, the Hungarian Prime Minister on a recent visit to Brussels.

In the longer term, Mr Osadchuk believes that the fall in Soviet oil exports could be compensated to some degree by an increase in natural gas deliveries. The Progress gas pipeline went into operation in 1989. But the minister conceded that "this increase will only ease the problem not solve it."

Ultimately the news for the east European consumers is grim. They will be forced to pay higher prices for energy and reduce their energy consumption which is twice as high their counterparts in western Europe. That will make the painful road to economic reconstruction more difficult and the long winters could be even colder.

Bitter pill for Cuba's sugar-based economy

Tim Coone, in Havana

CUBA will soon face its biggest upheaval since the 1959 revolution. Its economic anchor for the past quarter of a century, preferential sugar prices within the Comecon trading block, is being severed.

At the end of this year, Cuba's five-year trade agreements with each of the Comecon countries, come to an end and must be renegotiated.

The rapid political and economic changes in eastern Europe and the block's shift towards market-based economies, makes it likely that some, if not most, of these agreements will not be renewed. None will be renewed on the previously highly favourable terms for Cuba.

Mr Julio Garcia Oliveras, the president of Cuba's Chamber of Commerce said: "The situation is extremely difficult. I don't know what the answer is. The most serious problem is the lack of definition in the (Comecon) relationship."

Comecon presently accounts for 85 per cent of Cuba's annual 13bn Pesos ($13bn) in foreign trade. Trade represents 40 per cent of Cuba's Global Social Product (GSP), the closest measure of GNP.

Its trade with East Germany and Czechoslovakia, normally about 1bn Pesos per year, has already been suspended.

Next year East Germany will be integrated into its larger West German neighbour and the EC. The Soviet Union has recently reduced oil supplies to Cuba by 20 per cent, causing an energy crisis and petrol rationing in Cuba. Cuban nickel supplies to the USSR are being interrupted. The USSR is Cuba's main trading partner, followed by East Germany and Czechoslovakia.

Cuba is being cast adrift into a capitalist sea of free market prices, without map, guide or compass. Its dependence on trade and its lack of raw materials rule out autarchy as the alternative. Cuban officials such as Mr Garcia Oliveras attempt to put a positive spin on this difficult turn of events.

"It will liberate our trade and give us access to better technology than in the past. The next two years will be ones of change. We have growing trade relations with Latin America which we must develop. Integration with Latin America is not only a political and economic necessity, it is a matter of survival," he said.

Cuba was also looking for closer trade ties to the EC, although he recognised that the creation of a new "fortress" Europe trading block, competing with the US and Japan, does not bode well for Cuba.

Western diplomats say Cuba's problems in servicing its USD6.2bn hard currency debt, have led to the suspension of all EC credits to Cuba.

The recent diplomatic squabble between Spain and Cuba over Cubans seeking asylum in the Spanish embassy in Havana, has also led to the suspension of a Spanish development and technical assistance programme. Cuba's hard currency reserves at the end of 1989 were down to USD100m.

However, Mr Garcia Oliveras believes that the USSR will continue to buy Cuban sugar. Soviet sugar demand is about 12m tons annually, of which 4m tons is supplied by Cuba. A further 3m tons of Cuban sugar is supplied to the other Comecon countries and some is sold on the world market.

Without the Comecon market, the Cuban sugar industry would face collapse, and with it the central pillar of the Cuban economy. The present preferential prices of four to five times the world market prices for Cuba's sugar clearly will not be sustained.

At world market prices, Cuba's sugar exports together with income from nickel, citrus and tourism, can not cover the cost of importing Cuba's annual oil requirements of 13m tons. Even at some intermediary price to ease the transition, Cuba will clearly suffer. It will face raw material, spare parts and machinery shortages, exacerbating production bottlenecks which already exist throughout the economy.

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum continued this week's sharp retreat on the London bullion market yesterday, losing a further $2.75 to $456.50 a troy ounce in quiet trading compared with Tuesday, when the market shed $12 in a fall to two-and-a-half year lows. "No-one had the courage to buy it," one trader commented. Gold closed slightly firmer after a dull day briefly enlivened by Iranian supreme leader Ayatollah Ali Khamenei's bitter attack on the US military build-up in the Gulf, dealers said. "Gold now looks a little perkier, its gains intact," said one. On the LME cash copper moved ahead on extreme technical tightness for nearby metal, shrugging off overnight news that the strike at Minero Peru had been declared illegal. Copper's nearby tightness, despite LME stocks standing at their highest levels since May 1987, is supporting a market that many traders feel is over-extended on the upside. New York traders said early buying on Comex was inspired by technicals and gains overseas; the market's fundamentals did not justify current levels. Zinc prices were easier — traders said the market would probably be even lower were it not for strikes at major Canadian and Peruvian facilities.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$26.65-6.80w	-0.55
Brent Blend	$30.50-0.60w	-0.60
W.T.I. (1 pm est)	$30.25-0.35w	-1.21
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$412-417	-3
Gas Oil	$259-260	-4
Heavy Fuel Oil	$108-110	
Naphtha	$300-305	-5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$381.50	+0.50
Silver (per troy oz)♣	482c	
Platinum (per troy oz)	$456.50	-2.75
Palladium (per troy oz)	$105.00	-1.00
Aluminium (free market)	$2075	+40
Copper (US Producer)	142.00c	+4.25
Lead (US Producer)	50.0c	-0.60
Nickel (free market)	545c	+15
Tin (Kuala Lumpur market)	15.23r	+0.11
Tin (New York)	270.5c	+0.5
Zinc (US Prime Western)	81.00c	-0.25
Cattle (live weight)†	102.14p	-1.26*
Sheep (dead weight)†	139.35p	-6.26*
Pigs (live weight)†	81.26p	+3.31*
London daily sugar (raw)	$283.3q	-3.9
London daily sugar (white)	$323.0q	-7.0
Tate and Lyle export price	£265.5	-4.5
Barley (English feed)	£114.50	
Maize (US No. 3 yellow)	£149w	
Wheat (US Dark Northern)	£84.2q	
Rubber (Oct)♥	53.00p	+0.25
Rubber (Nov)♥	53.25p	+0.25
Rubber (KL RSS No 1 Oct)	241.5m	-0.5
Coconut oil (Philippines)§	$282.5v	-5.0
Palm Oil (Malaysian)§	$287.5w	+2.5
Copra (Philippines)§	$202.5y	-5.0
Soyabeans (US)	£153	
Cotton "A" Index	80.90c	-0.60
Wooltops (64s Super)	435p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	252.80	260.20	260.00 251.20
Dec	250.00	251.00	257.00 250.00
Mar	237.40	243.60	244.00 236.60
May	238.00	244.00	244.20 238.00
Oct	241.00	247.00	241.00
Dec	245.00	247.00	245.00
White	**Close**	**Previous**	**High/Low**
Oct	313.0	324.0	323.0 312.5
Dec	305.0	312.5	312.5 305.5
Mar	307.0	313.5	313.0 306.5
May	307.5	315.0	307.5 307.5
Aug	312.5	317.8	316.7 312.5
Oct	305.7	311.3	309.7 305.2
Dec	302.2	309.3	302.2 301.7

Turnover: Raw 2735 (4368)lots of 50 tonnes. White 2168 (2905)
Paris- White (FFr per tonne): Oct 1635, Dec 1625 Mar 1637, May 1640, Aug 1680

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Oct	30.47	30.63	30.65 30.05
Nov	28.70	28.50	28.75 28.10
Dec	27.55	27.42	27.60 27.25
Jan	26.55	26.35	26.60 26.45
IPE Index	30.52	29.94	30.52 29.94

Turnover: 9440 (13138)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Sep	251.50	256.00	252.00 249.25
Oct	254.75	258.00	258.00 251.00
Nov	255.00	259.00	258.00 251.00
Dec	254.50	258.00	256.50 251.50
Jan	249.00	253.00	248.00 244.00
Feb	240.00	242.25	240.00 237.00
Mar	230.00	233.00	230.00
Apr	217.50	222.00	219.00 215.50
May	215.00	223.50	215.00

Turnover 12592 (15240)lots of 100 tonnes

WOOL

The Australian Wool Corporation's market indicator has fallen further, reaching a new low of 707 Australian cents. The decline is mainly due to a sharp fall in extra-fine merino fleece prices. Other categories are effectively at floor level, and very large amounts are being bought in support by the AWC - typically around 50%. Restrictions on further AWC borrowing have been lifted by the government to underline its determination to maintain the 700 cent floor. The world wool trade remains worried about financial pressures on many firms, with Soviet Russia still not paying for large weights already shipped or in store

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	712	715	712 695
Dec	752	742	754 732
Mar	784	776	787 787
May	806	797	808 792
Jul	827	817	828 811
Dec	858	861	858 858

Turnover: 3338 (2403) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 11 971.13 (984.19) 10 day average for Sep 12 993.83 (996.07)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	587	599	606 586
Nov	607	620	630 607
Jan	623	638	645 623
Mar	627	635	646 623
May	639	652	656 639
Jul	667	668	669 667

Turnover: 3527 (4516) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 11: Comp. daily 76.42 (75.65). 15 day average 77.24 (77.08)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Apr	130.5	129.4	130.8 129.0

Turnover 70 (106) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Oct	105.00	103.00	105.00

Turnover 10 (40) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Sep	1165	1180	
Oct	1175	1190	1190 1175
Jan	1182	1200	1190 1180
Apr	1183	1210	1190 1182
BFI	1191	1191	

Turnover 183 (59)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	111.60	111.50	111.60 111.50
Nov	114.20	114.35	114.50 114.20
Jan	118.30	118.50	118.65 118.30
Mar	121.80	122.00	122.05
May	125.20	125.40	125.30
Barley	**Close**	**Previous**	**High/Low**
Sep	109.90	109.75	110.00
Nov	113.40	113.40	113.60 113.40
Jan	117.60	117.65	117.80 117.60
May	121.70	121.70	121.70

Turnover: Wheat 420 (265), Barley 109 (68).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	108.6	108.5	109.0 108.0
Nov	106.5	105.5	106.0

Turnover 17 (25) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 67,467 lots	
Cash	2074-6	2057-62		2070-2		
3 months	2001-2	1992-3	2018/1980	1991-2	2010-2	31,687 lots
Copper, Grade A (£ per tonne)					Total daily turnover 115,471 lots	
Cash	1795-7	1735-40	1815/1790	1810-5		
3 months	1803-4	1809-10	1807/1597	1803-4	1802.5-3	26,916 lots
Lead (£ per tonne)					Total daily turnover 1,080 lots	
Cash	454-6	453-5	457/455	456-7		
3 months	461-2	459-60	462.5/460	462.5-3	460-1	1,796 lots
Nickel ($ per tonne)					Total daily turnover 8,696 lots	
Cash	11600-50	11525-75	11900/11850	11875-925		
3 months	11200-25	11200-25	11350/11150	11300-50	11100-50	2,184 lots
Tin ($ per tonne)					Total daily turnover 5,779 lots	
Cash	5800-10	5800-10		5790-2		
3 months	5920-5	5915-20	5940/5900	5900-5	5910-20	1,174 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 19,744 lots	
Cash	1605-10	1625-30	1610/1605	1608-10		
3 months	1506-8	1523-5	1522/1500	1505-6	1505-7	7,188 lots

LME Closing £/$ rate: SPOT: 1.8670 3 months: 1.8368 6 months: 1.8073 9 months: 1.7848

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	381¼-381¾	204½-205
Opening	380-380½	204-204½
Morning fix	380.65	204.651
Afternoon fix	382.05	204.732
Day's high	383½-384	
Day's low	380-380½	

Coins	$ price	£ equivalent
Mapleleaf	389-394	208½-211½
Britannia	389-394	208½-211½
US Eagle	389-394	208½-211½
Angel	389-394	208½-211½
Krugerrand	380-383	203-205½
New Sov.	92-94	49½-50½
Old Sov.	92-94	49½-50½
Noble Plat	461.95-469.30	247.85-251.80

Silver fix	p/fine oz	US cts equiv
Spot	257.40	479.50
3 months	266.85	489.10
6 months	275.95	498.40
12 months	294.10	518.60

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
550	62	84	5	11
600	28	61	21	28
650	10	29	53	56
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	74	114	22	30
750	46	84	44	50
800	28	60	76	76

Brent Crude	Nov	Dec	Nov	Dec
2600	210			
2650				
2900				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	382.1	380.5	0	0
Oct	383.5	382.0	385.0	381.5
Nov	385.9	384.4	0	0
Dec	388.1	386.6	389.7	385.8
Feb	392.4	390.9	393.3	390.9
Apr	396.4	394.9	397.0	396.0
Jun	400.7	399.2	400.8	399.2
Aug	404.7	403.2	406.0	402.6
Oct	409.2	407.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	453.0	450.7	0	0
Oct	455.0	452.8	457.5	452.0
Jan	461.6	469.2	464.0	458.0
Apr	467.7	454.3	469.0	463.5
Jul	473.2	469.5	0	0
Oct	478.7	475.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	480.1	477.7	481.0	479.0
Oct	481.8	479.4	0	0
Nov	485.4	483.0	0	0
Dec	489.3	487.0	492.5	487.0
Jan	491.7	489.4	0	0
Mar	498.7	497.4	502.5	498.0
May	506.6	504.3	505.5	505.5
Jul	513.9	511.6	514.7	513.0
Sep	521.5	519.2	521.0	521.0
Dec	532.4	530.1	533.0	533.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	135.90	134.80	138.40	135.50
Oct	133.95	132.30	136.00	133.50
Nov	131.35	130.85	0	0
Dec	128.75	128.55	131.20	128.50
Jan	126.00	125.90	0	0
Mar	120.15	120.25	122.30	120.20
Apr	118.05	118.25	0	0
May	115.95	116.25	0	0
Jun	114.05	114.40	0	0
Jul	112.05	112.45	113.50	113.20

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	30.55	30.78	30.92	30.05
Nov	30.00	29.87	30.30	29.40
Dec	29.10	28.88	29.31	28.55
Jan	28.30	28.05	28.45	27.80
Feb	27.57	27.35	27.70	27.20
Mar	27.00	26.73	27.15	26.55
Apr	26.20	26.15	26.60	26.00
May	25.85	25.67	26.00	25.60
Jun	25.45	25.28	25.60	25.30
Jul	25.35	24.92	25.20	25.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	8275	8303	8300	8100
Nov	8350	8398	8375	8200
Dec	8425	8481	8480	8300
Feb	8020	8162	8115	8020
Mar	7700	7737	7765	7630
Apr	7375	7412	7375	7340
Jun	7070	7074	7070	7060

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1252	1214	1258	1208
Dec	1287	1253	1295	1234
Mar	1328	1297	1334	1276
May	1351	1320	1320	1320
Jul	1384	1353	1390	1340
Sep	1414	1383	0	0
Dec	1447	1416	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	93.95	95.50	95.85	93.60
Dec	97.10	98.65	98.85	96.60
Mar	100.05	101.70	101.40	99.80
May	101.95	104.00	103.50	102.00
Jul	104.00	106.25	105.00	104.00
Sep	106.15	108.20	0	0
Dec	108.70	110.25	109.10	109.10

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.00	11.33	11.15	10.85
Mar	10.73	11.01	10.88	10.60
May	10.68	11.00	10.86	10.65
Jul	10.68	10.99	10.86	10.69
Oct	10.75	11.04	10.84	10.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	73.80	72.17	74.17	72.00
Dec	72.54	71.84	72.80	71.62
Mar	73.77	73.20	73.95	72.95
May	74.58	73.94	74.55	73.75
Jul	74.60	74.13	74.70	74.00
Oct	69.86	69.65	69.75	69.75
Dec	68.00	68.05	68.00	68.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	150.25	150.70	150.25	148.00
Nov	137.20	139.80	137.50	135.00
Jan	134.55	137.00	135.50	134.00
Mar	134.85	137.10	135.25	134.00
May	134.55	136.65	135.50	134.00
Jul	134.55	136.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 12	Sep 11	mnth ago	yr ago
1829.1	1827.2	1772.8	1890.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 11	Sep 10	mnth ago	yr ago
Spot	129.67	129.53	-	126.48
Futures	133.39	133.64	-	129.77

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	628/4	625/4	629/0	623/4
Nov	641/2	638/6	642/0	636/0
Jan	654/6	653/0	655/0	650/0
Mar	668/0	666/4	668/4	663/4
May	675/6	674/6	676/4	672/0
Jul	681/4	680/0	682/4	677/4
Aug	674/0	672/0	674/0	669/4
Sep	647/0	645/0	647/0	647/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	24.30	24.44	24.40	24.18
Oct	24.21	24.31	24.30	24.10
Dec	24.26	24.39	24.39	24.18
Jan	24.47	24.55	24.58	24.40
Mar	24.68	24.78	24.81	24.63
May	24.87	24.96	24.95	24.80
Jul	24.91	25.02	25.00	24.87
Aug	24.60	24.60	24.70	24.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	186.4	184.6	186.5	183.3
Oct	187.3	185.9	187.5	184.5
Dec	190.9	189.7	191.2	188.5
Jan	191.8	190.7	192.0	190.0
Mar	194.0	193.7	194.3	192.5
May	194.8	194.5	195.0	193.5
Jul	196.0	195.7	196.3	194.5
Aug	194.5	195.0	194.5	193.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	239/2	241/4	241/4	238/6
Dec	234/2	236/0	235/2	234/0
Mar	243/2	245/2	244/2	243/0
May	249/6	251/4	250/6	249/4
Jul	253/6	255/2	254/4	253/4
Sep	252/2	253/0	252/4	252/0
Dec	252/4	253/2	252/6	251/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	266/6	267/2	268/4	265/0
Dec	283/0	284/0	284/6	281/6
Mar	295/6	296/4	297/4	294/4
May	303/2	303/4	304/2	302/0
Jul	309/4	309/0	310/0	306/4
Sep	312/4	312/0	313/0	312/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	78.85	78.95	78.92	78.65
Dec	76.75	76.97	76.90	76.60
Feb	75.47	75.60	75.62	75.35
Apr	76.02	76.02	76.15	75.90
Jun	73.90	73.95	73.97	73.70
Aug	72.10	72.00	72.22	72.00
Oct	72.10	72.05	72.20	72.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	50.67	50.72	50.85	50.52
Dec	51.47	51.25	51.57	50.95
Feb	48.80	48.67	48.90	48.52
Apr	45.10	44.92	45.20	44.80
Jun	49.60	49.40	49.60	49.45
Jul	49.75	49.65	49.75	49.65
Aug	48.40	48.30	48.40	48.20
Oct	43.40	43.70	0	43.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	54.60	52.72	54.70	52.50
Mar	54.47	52.67	54.60	52.50
May	55.10	53.10	55.10	53.50
Jul	55.42	53.87	55.50	53.60
Aug	52.35	51.60	52.35	0

LONDON STOCK EXCHANGE

Early gains lost as trading increases

A STRONG start to yesterday's trading session in UK equities was undermined later by renewed bearishness on the corporate front, and then by uncertainty on Wall Street in the face of the latest news from the Gulf. Trading volume benefited from a two-way trading programme from a US-based securities house, said to be worth £100m overall but spread across the London, Tokyo and New York stock markets.

Falling crude oil prices were also helpful for the broad range of equities. However, this trend failed to unsettle share prices for the major oil companies, which steadied at the close as the market absorbed the implications of the latest developments in the Gulf.

Account Dealing Dates		
*First Dealings:		
Aug 20	Sep 10	Sep 24
Option Declarations:		
Sep 6	Sep 20	Oct 4
Last Dealings:		
Sep 7	Sep 21	Oct 5
Account Day:		
Sep 17	Oct 1	Oct 15

*New-time dealings may take place from 8.30 am two business days earlier.

The day started well, with both overnight Wall Street and Tokyo helping London, the trading programme boosting turnover, and trading results from British Aerospace and Prudential finding a warm reception in the market. By late morning, the market was showing a gain of more than 23 points on the FT-SE scale.

But the market came off the top as traders turned towards a batch of less encouraging factors. UK Government bonds lost early gains following the announcement of an upward revision of the UK trade deficit for the second quarter, and equity investors reacted to a bearish statement from the boardroom of BTR, one of the market's favoured conglomerates.

The early gains in equities melted away as reports reached London that Iran had called for a Holy War against the US in the Gulf, and Wall Street abandoned an initial gain and slipped lower to show a net fall of 6.43 Dow points in London trading hours.

The UK market slipped into negative territory in the final minutes, to show a loss of 2.0 points on the day for a closing reading of 2,142.3 on the FT-SE Index. Trading volume remained relatively high even after the market turned off, reflecting some profit-taking by fund managers as well as increased intra-market maker business. The final Seaq total of 434.7m shares compared with 343.8m in the previous session.

BTR's profits disappointed the market even in the light of recent downgradings, and brought a further rash of downward revisions by City analysts. Moreover, BTR's fortunes were regarded as a snapshot of a wider economic malaise and cast a cloud over prospects for other conglomerate companies.

The reports from Iran brought a swift reaction in the multinational stocks, which are likely to be vulnerable to any reaction in other global markets before London opens for business this morning. Glaxo, unchanged at mid-session, closed with a double-figure loss and ICI extended an early fall.

FINANCIAL TIMES STOCK INDICES

	Sept 12	Sept 11	Sept 10	Sept 7	Sept 6	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.61	78.52	78.27	78.07	78.61	88.08	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.63	86.47	86.33	86.30	86.53	96.65	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1643.3	1651.0	1655.1	1638.5	1639.9	1980.1	1968.3 (3/1)	1604.2 (23/8)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	191.2	191.4	195.4	194.6	193.6	205.4	378.5 (6/2)	167.8 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2142.3	2144.3	2147.0	2122.9	2120.9	2401.5	2463.7 (3/1)	2075.0 (23/8)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.76	5.73	5.70	5.78	5.78	4.05				
Earning Yld %(full)	12.17	12.09	12.13	12.30	12.31	9.78				
P/E Ratio(Net)(☆)	9.96	10.03	10.00	9.87	9.86	12.32				
SEAQ Bargns 4.45pm	18,791	16,253	17,120	20,279	17,917	25,149				
Equity Turnover(£m)†	-	596.35	491.82	590.33	796.85	914.75				
Equity Bargains†	-	15,791	16,533	19,981	17,784	41,461				
Shares Traded (ml)†	-	299.6	260.3	280.0	479.4	372.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.81

Ordinary Share Index, Hourly changes — Day's High 1670.8 — Day's Low 1643.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1654.4	1663.8	1699.4	1669.7	1665.9	1654.7	1655.1	1654.6	1645.4

FT-SE, Hourly changes — Day's High 2167.8 — Day's Low 2142.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2147.4	2159.9	2164.4	2164.1	2163.5	2162.3	2154.9	2154.8	2143.0

GILT EDGED ACTIVITY

Indices*	Sept 11	Sept 10
Gilt Edged Bargains	86.7	77.0
5 – Day average	82.7	80.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	281	155	-2	Courtaulds	2,200	315	-6	Manpower	339	55		Smith (W.H.) A	472	334	+7
ASDA Group	1,400	112	+1	Dalgety	33	391	+3	Marks & Spencer	5,500	222	+2	Smith & Nephew	1,700	98½	-½
Abbey National	1,600	214	+1	Dixons	2,200	137	+2	Maxwell Comms.	1,500	157	+1	SmKl Beecham	2,500	549	+3
Allied-Lyons	1,400	479	+2	ECC Group	1,600	349	+9	Mecca Leisure	0	88	-1	SmKl Beecham Units	39	2468	-2
Amstrad	808	58		Enterprise Oil	738	678	+9	Midland Bank	2,500	241	+2	Smiths Inds.	1,200	205	+5
Anglian Water	397	233	-2	FKI	252	53	-1	NatWest Bank	2,100	355		South West Water	780	228	+9
Argos	938	234	+1	Ferranti	2,200	22½	-1	Next	1,700	38	-1	Southern Water	302	209	+2
Argyll Group	1,300	235		Fisons	4,300	354	+4	North West Water	393	224	-3	Standard Chartd.	88	373	
Ass. Brit. Foods	51	438		Gen. Accident	838	462	+12	Northern Foods	2,100	339	+1	Storehouse	801	128	
BAA	675	330	+2	General Elect.	1,600	182		Northumbrian Water	97	230	-2	Sun Alliance	1,600	286	+1
BAT Inds.	1,500	542	-5	Glaxo	3,300	738	-20	Pearson	108	683	+6	Sun Life	13	1083	
BET	1,900	216	-2	Glynwed Int.	382	229	+2	P & O	1,100	512	+8	T&N	83	156	+2
BICC	602	388	-10	Granada	1,800	164	-12	Pilkington	1,700	158	+1	TI Group	804	429	+1
BOC	1,000	484	-10	Grand Met.	1,200	578	+7	Polly Peck Intl.	4,500	260	-5	TSB	3,200	127	-4
BPB Inds.	330	170		GUS A	207	960	+6	Prudential	3,200	208	+4	Tarmac	3,400	223	-1
BTR	18,000	318	-40	GRE	2,100	182		RHM	1,700	292	+5	Tate & Lyle	1,500	345	-1
Barclays	2,400	333	-2	GKN	835	342	-5	RMC	490	542	+8	Taylor Woodrow	87	224	+1
Bass	691	1001	-2	Guinness	1,300	707	+4	RTZ	1,500	448	-1	Tesco	7,300	232	
Beazer	901	125	+2	Hammerson 'A'	116	672	+3	Racal	5,600	164		Thames Water	1,100	228	
Berisford Intl.	309	42		Hanson	8,100	199½	-6	Racal Telecom	948	264	-7	THORN EMI	1,704	603	+4
Blue Circle	1,300	230	+3	Hanson Warrants	226	43½	-2½	Rank Org.	2,200	586	-6	Trafalgar House	600	214	-1
Boots	2,700	284	+6	Harrisons Crosfield	517	139	+1	Reckitt & Colman	473	1228	-11	Trusthouse Forte	2,800	241	-4
Brit. Aerospace	5,000	563	+11	Hawker Sidd.	533	484	+1	Redland	134	521	+4	Ultramar	1,000	372	+3
British Airways	2,500	164	-2	Hillsdown	755	258		Reed Intl.	254	383	+3	Unigate	2,700	282	-4
British Gas	4,000	223	+3	IMI	108	213½	+½	Reuters	990	850	-29	Unilever	586	643	-1
British Land	187	264	+1	ICI	1,400	874	-16	Rolls Royce	5,800	198	+5	United Biscuits	1,100	327	
BP	6,000	373½	+1½	Inchcape	1,300	233	+1	Rothmans	286	715	-9	Utd. Newspapers	40	312	-4
British Steel	7,100	123½	-½	Kingfisher	1,100	309		Ryl Bk Scotland	1,000	152		Water Package Uts.	0	£225	+8
British Telecom	4,400	291	+3	Ladbroke	2,500	271½	-½	Royal Insurance	899	405	+7	Wellcome	1,200	510	+12
Bunzl	2,200	68	-1	Land Securities	1,400	482	+3	STC	2,300	245		Welsh Water	853	244	+11
Burmah Castrol	1,300	514	+8	Laporte	499	474		Saatchi	1,100	52	-3	Wessex Water	132	224	+2
Burton	3,000	100	+2	Legal & General	993	389	+10	Sainsbury	2,700	304	+2	Whitbread 'A'	1,300	435	+5
Cable & Wire.	1,700	472	+2	Lloyds Abbey	237	316	-4	Scottish & New	642	342	+2	Wiggins Teape	1,000	157	+2
Cadburys	1,200	325	+2	Lloyds Bank	702	268	+1	Sears	172	85	+1	Williams Hldgs.	478	212	+2
Calor Group	1,300	233	+2	LASMO	1,600	481	+12	Sedgwick	245	188	+2	Willis Faber	488	231	-1
Carlton Comms.	421	341	-9	Lonrho	2,100	245	-1	Severn Trent Water	894	213		Wimpey	1,000	171	+4
Coats Viyella	571	91		Lucas	2,400	131		Shell Transport	5,100	498	+3	Yorkshire Water	575	238	-2
Comm. Union	1,200	451	+4	MB Group	1,900	182	-1	Siebe	409	379	+3				
Cookson	5,600	107	+3	MEPC	1,600	446	-2	Slough Ests	745	221	-2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Setback after BTR statement

BTR fell heavily as analysts reduced their forecasts in the wake of disappointing figures and a cautious statement from the company.

Mr Geoff Allum at County NatWest cut £150m from his estimate of full year profits to £1.05bn – lower than that from most other securities houses. He said the slowdown at BTR reflected a wider economic malaise and that he would be reassessing forecasts for other industrial conglomerates.

He changed his recommendation on BTR from a hold to a buy, however, saying that the company was the best placed in the sector. "Only Hanson has a comparable record, but we will be looking at the forecasts there too."

Other analysts were more restrained. Some said yesterday's BTR drop of 40 to 318p in busy trade was overdone. One said that the new warrant issue (one free warrant for every 15 shares held and exercisable at 370p in 1994 and 1995) had drawn demand away from the equity.

Mr Mike Murphy at S.G. Warburg, who trimmed his forecast from £1.23bn to £1.13bn, said the marginal rise in the dividend to 7p was erring on the side of caution. He added that the market was interpreting BTR's signals as a warning, and rated the shares a buy for outperformance.

BAe responds

Strong half-year results from British Aerospace prompted a jump of 17 in early trading, before the shares settled 11 up at 563p after a turnover of 5m.

Analysts had predicted that the company would announce profits in the region of £127m, but the figure was £146m, well up on last year even if the £34m exceptional credit from the 1989 sale of BAe's stake in DAF is taken into consideration.

BAe said that in spite of the uncertainty over the situation in the Gulf, it expected full year results to be comfortably ahead of those achieved in 1989.

Hoare Govett, brokers to BAe, upgraded its end-of-year profit forecast to £385m from £340m. It added that it was still a buyer of the stock.

After the interim figures were announced, Hoare hosted a seminar by BAe for institutional clients. Investors were told that BAe was still cutting costs, and was hoping to add to the healthy performance of its defence arm by grasping the opportunity to improve returns in its commercial aircraft and motor vehicle divisions.

Yorkshire favoured

Yorkshire Chemical rebounded from the year's low point as domestic and US-based investment banks issued reassuring advice. Both thought there was no real justification for the stock's recent underperformance – some 14 per cent relative to the market over the past month alone – and said that they were buyers of the shares. Yorkshire became the principal feature of the chemical sector yesterday, closing 12 higher at 328p.

Shearson Lehman Brothers blamed the late summer fall in the shares on a combination of the board's caution last month, profit-taking and the oil crisis. "It looks well overdone," said Mr Martin Glen of Shearson, who added; "At these levels Yorkshire must be very attractive to a raider." The stock's break-up value before June was near 650p a share.

BZW came to the same conclusion over the share price weakness and confirmed yesterday that its current stance on Yorkshire had changed from hold to buy.

Calor higher

An uptick in the share price and turnover in Calor Group prompted suspicions that SHV, the privately-owned Dutch group, had taken advantage of the announcement of Calor's interim figures to top up its stake.

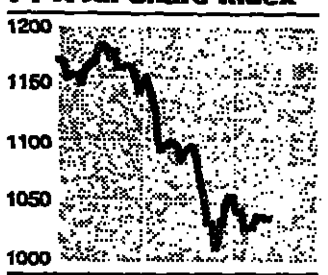
SHV holds 44 per cent of Calor and has stated its intention of increasing this by 2 per cent this year. The Dutch group is thought to have bought a small amount of stock recently. To increase its stake by 2 per cent SHV would have to buy some 3.5m shares. Specialists said an order of that size would take some time to carry out.

Calor's figures proved a slight disappointment. Net profits of £12.7m were at the bottom end of the range, but the dividend, 6p, was slightly ahead of expectations.

Also stimulating the shares was news that Mr Folker Schukker, an SHV vice president, is to replace Mr David Mitchell as Calor's new chief executive at the end of the year.

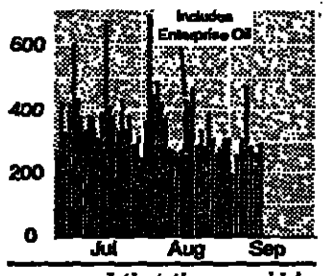
Analysts noted that SHV is the major shareholder in Primagaz, the French bottled gas group, and that there could be an opportunity for a merger of the two groups. Specialists refused to rule out a full bid for the group, but said that on fundamentals the earnings outlook was not good when compared with British Gas.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Most international stocks were hit by BTR's figures and Wall Street's nervous reaction to an Iranian leader's call for a holy war against the US. Hanson lost 6 to 199½p and ICI gave up 16 at 874p.

Glaxo managed a rise of 11 with the market in early trading before falling with the rest of the internationals. Mr Robin Gilbert at James Capel said that Glaxo had outperformed over several months, but because of US buying rather than any fundamental reason. The shares ended 20 down on the day at 738p.

Interim figures from Prudential, the UK's biggest insurance group, took the market by surprise. Prudential quickly improved to 211p before ending the session a net 4 higher at 208p. Turnover was a respectable 3.2m.

Analysts said the "headline" pre-tax profits figure of £126.7m was better than expected – some had pencilled in a figure of below £100m – but pointed out that this number did not include £20m worth of losses at Mercantile & General, which will be included in the second-half figures. The 13 per cent increase in the interim dividend was as expected.

Describing the shares rating as demanding, Mr Zoussef Ziai at UBS Phillips & Drew reduced his full year estimate from £375m to £345m and clipped his dividend forecast from 10.5p to 10.4p.

Legal & General rose 10 to 389p, helped by a stock shortage. The market is expecting news on Friday morning of the new accounting approach regarding life profits taken by the Association of British Insurers.

Composites improved after hints from the Annual Reinsurance Convention in Monte Carlo that reinsurance rates might move up at the turn of the year. General Accident featured with a 12 gain to 462p.

Transport sector leader P & O regained more ground to 515p before running out of steam and ending 12 up on the session at 512p. Analysts thought yield considerations – the interim dividend was unexpectedly raised on Tuesday – would provide support, but expected the flat performance of the group to continue into next year.

The half-yearly results of Ocean Group were well received, particularly the increased dividend payment, which was above expectations. Kleinwort Benson researcher Mr Peter Bergius took the honours for being spot on with his forecast and said: "In a sector facing increasing earnings uncertainty, Ocean offers sound long-term prospects." Some 40 per cent of the company's business is boosted by a firm oil price, while the full benefits of the new £15m freight forwarding computer system will come through next year, he continued. The shares advanced 6 to 321p.

Mid-term profits from Tibbett & Britten, the international transporter and distributor, were sharply higher but they only just exceeded market estimates. The board exuded confidence for the future, however, and the shares raced higher to close 17 up at 270p.

Rolls-Royce put on 5 to 198p in sympathy with British Aerospace and in anticipation of results due out today.

The announcement of a drop in profits from £6.1m to £3.6m pushed Hall Engineering down 10 to 105p. However, analysts said the figures were in line with expectations and the dividend was maintained.

Thorn EMI, badly bruised over the past two weeks after its failure to sell its lighting businesses to America's GTE, staged a good rally after Kleinwort Benson issued a strong buy note on the stock.

Kleinwort's Rob Collins said the "disappointment of the failed disposal should soon be forgotten and that the shares, currently standing at their year's low, are oversold and undervalued."

The Kleinwort analyst emphasised Thorn's success with its music businesses; "Chrysalis and EMI's chart shares have risen sharply in recent months, especially in the US, where in the first three months of the financial year their combined chart share was 18.7 per cent compared with only 9.1 per cent in 1989/90. At the close Thorn were 5 higher at 604p on good turnover of 1.7m shares.

Ratners pleased the market with its figures and positive statement. BZW, for one, changed its recommendation from hold to buy and the shares firmed 7 to 230p.

Boots had a good day as Mr Paul Smiddy of Kleinwort Benson said the nervousness at the start of the week, which had been prompted by a profits downgrading from Morgan Stanley, was overdone. He said that the company's second-half performance would bring better news than the first. The shares rose 6 to 284p.

The implications of ECC's plan for a staged withdrawal from housebuilding activities were interpreted bullishly and the shares rebounded 9 to 349p.

Buy recommendations in the wake of Monday's first-half figures sent Morgan Crucible shares 4 higher to 233p, after 237p. Nomura Research maintained the company appeared likely to achieve modest earnings per share growth this year and in 1991, and that "prospective ratings are inexpensive." The verdict of Smith New Court was that "if loss minimisation is the name of the game for fund managers today, then Morgan should fit the bill as modestly valued with limited risks attached."

Gestetner, depressed last Friday on seculation that a merchant bank had been unable to place 4m shares, rallied 5 to 201p. Sentiment was unaffected by news that the Monopolies and Mergers Commission had been asked to investigate the possible existence of a monopoly situation in relation to the supply by manufacturers and importers of indirect electrostatic photocopiers. But Erskine House, a supplier of office equipment and photocopiers, slipped 8 to 62p.

The warning, with disappointing interim results, that prospects for the current year were not good lowered Gowrings 22 to 72p. Lookers, on the other hand, advanced 10 further to 73p as takeover speculation continued.

USM-Quoted Wyevale Garden Centres dropped 23 to 305p after calling for £8.25m via a rights issue.

The statement from Tottenham Hotspur on press comment of a possible bid by Mr Robert Maxwell revealed a complicated sequence of events with, as yet, no clear outcome. The shares lost 12 to 96p.

Unigate slipped 4 to 282p as Hoare Govett trimmed its full year profits forecast by £3m to £105m, while a cascade of downgrades sent Granada down 12 to 164p.

A 54 per cent fall in half-time profits to £2m from More O'Ferrall was not as bad as the market had expected and the shares climbed 17 to 187p.

Recommendations from Kleinwort and BZW ensured another upsurge in Welsh Water, which advanced to 250p before stalling and ending the session a net 11 higher at 244p.

Oil shares edged higher as crude prices bounced after moving sharply lower in early trading. But the performance of the shares was said to have lacked conviction. Shell managed a gain of 4 at 499p on 6.1m shares, while BP edged ahead 1½ to 514p on 6m.

Lasmo rose 12 to 481p on 1.6m and Enterprise put on 9 to 678p. Among the smaller stocks, Great Western Resources fell 15 to 215p after the two-for-seven rights offer at 190p to raise a net £37.6m.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (5). BRITISH FUNDS (3) INDUSTRIALS (2) B.H. Prop., Takare.
NEW LOWS (126). AMERICANS (1) CANADIANS (3) BANKS (2) BUILDINGS (14) CHEMICALS (2) STORES (7) ELECTRICALS (5) ENGINEERING (9) FOODS (1) INDUSTRIALS (31) Avon Rubber, BTR, Do. Warrants, 1992/93, Do. Warrants 1993/94, Bridon, Charter Cons., Co. of Designers, Computer People, Cosalt, Dyson (J & J), Do. A, Granada, Do. 7½pc Cv., Green (E.), Harding, Jourdan (T.), Macfarlane, Marling Inds., Metsec, RKF, Rank Org., Sl, Somic, Southern Business, Tomkins, Do. 8¾pc Prf., Vinten, Whitecroft, Whitegate Leis., Wyndham, YRM, LEISURE (3) MOTORS (1) NEWSPAPERS (2) PAPERS (7) PROPERTY (8) SOUTH AFRICANS (7) TEXTILES (3) TRANSPORT (2) TRUSTS (12) OILS (1) PLANTATIONS (1) MINES (4) THIRD MARKET (2).

APPOINTMENTS

New chief at James Finlay

■ Sir Colin Campbell retired as chairman of JAMES FINLAY on September 1. He remains a director. Mr R.J.K. Muir and Mr R.G. Capper have been appointed chairman and deputy chairman respectively. Mr R.L. Stone-Wigg has been appointed as an executive director.

■ At THE MORTGAGE CORPORATION Mr Ray Pierce has been appointed chief executive. He replaces Mr Hugh Freedberg who is leaving to join TSB Group as chief executive of the insurance and investment services division. Mr Pierce is director and commercial general manager of TMCG and has been with the company since July 1986.

■ Mr Stuart Marshall has been appointed head of the commercial banking group at COUTTS & CO. Mr Malcolm Ramsey will succeed him as head of the management services division.

■ BARCLAYS BANK has appointed Mr Heather Maizels as international private banking director with responsibility for business development.

■ I.M. GROUP, importers and distributors of Subaru, Isuzu and Hyundai motor vehicles, has appointed Mr Robert J. Browning as deputy chairman of V.I.I., the company's Republic of Ireland subsidiary. He remains the I.M. Group's director of administration.

■ BALFOUR BEATTY has appointed Mr W.E. Clifford (pictured) as commercial director of Balfour Beatty Civil Engineering. He became commercial manager of the southern construction division in 1973 and a director in 1985. He was appointed to the boards of two of Balfour Beatty subsidiaries, Stent Foundations and Balvac Whitley Moran in 1988 and 1989. Balfour Beatty is a BICC company.

■ BIBBY DISTRIBUTION SERVICES (HOLDINGS), the distribution and warehousing division of Liverpool-based Bibby Line Group, has appointed Mr Andrew Palmer as managing director. Mr Palmer was previously managing director of Novacold, part of the Transport Development Group, and prior to that was operations director of Harris Distribution.

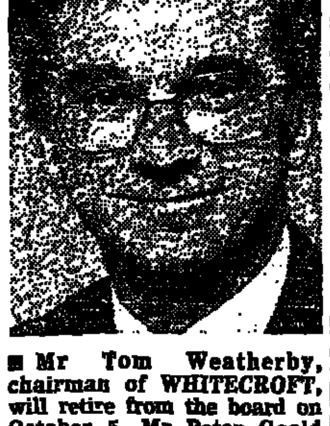
■ At REDROW GROUP Mr Paul Pedley, the company's financial director since 1985, has been promoted to deputy chairman.

■ FERROM HOLDINGS, the UK and Dutch-based engineering and structural steel group, has made Mr Garry Frier (pictured) its deputy chief executive. He was formerly finance director.

Mr Peter Cook has taken his place as finance director. He has been financial controller since November 1988.

■ ISA INTERNATIONAL, the Bradford-based specialist distributor of branded consumables for information processing equipment, has appointed Mr Peter Brier as group managing director. He joins from BET subsidiary Initial UK, where he was services director.

■ At BRYANT GROUP Mr Geoff F. Potton, managing director of Bryant Homes Southern, has also become deputy managing director of Bryant Homes, the homes holding company.



■ Mr Tom Weatherby, chairman of WHITECROFT, will retire from the board on October 5. Mr Peter Goold (pictured), deputy chairman and chief executive, will become executive chairman on that date. Mr John Marvin, a non-executive director and chairman of Hickson International, has been appointed deputy chairman.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99 11/16	96 13/16	Treas 10pcCv 1990	99 13/16	.....	10.07	14.83
98 5/8	93 1/8	Exch 2½pc 1990	98 5/8	+1/16	2.54	11.35
99 [illegible]	97 [illegible]	Treas 11¾pc 1991	99 [illegible]	.....	11.86	14.31
96 [illegible]	92 [illegible]	Funding 5¾pc '87-91‡‡	96 [illegible]xd	.....	5.94	12.01
95 [illegible]	89 [illegible]	Treas. 3pc 1991	95 [illegible]	[illegible]	3.18	10.91
97 [illegible]	94 [illegible]	Treas 10pc Cv '91 ‡‡	97 [illegible]	.....	10.24	13.11
97 [illegible]	94 [illegible]	Exch. 11pc 1991	97 [illegible]	.....	11.27	13.38
94 [illegible]	90 [illegible]	Treas. 8pc 1991	94 [illegible]	[illegible]	8.46	[illegible]
101 [illegible]	97 [illegible]	Treas 12¾pc 1992‡‡	100 [illegible]	.....	12.74	[illegible]
96 [illegible]	92 [illegible]	Treas 10pc 1992	96½	[illegible]	10.36	[illegible]
93 [illegible]	89 [illegible]	Treas. 8pc 1992 ‡‡	93 [illegible]	[illegible]	8.54	[illegible]
97 [illegible]	93 [illegible]	Treas 10½pc Cv 1992‡‡	96 [illegible]	[illegible]	10.84	[illegible]
88 [illegible]	82 [illegible]	Treas. 3pc 1992	88 [illegible]	.....	3.38	[illegible]
100 [illegible]	95 [illegible]	Exch. 12¼pc '92	99½	[illegible]	12.31	[illegible]
104	98 [illegible]	Exch 13½pc 1992	101 [illegible]xd	.....	13.26	[illegible]
92 [illegible]	86 [illegible]	Treas 8¼pc 1993	91 [illegible]	.....	8.98	[illegible]
96 [illegible]	90 [illegible]	Treas 10pc 1993‡‡	95 [illegible]xd	.....	10.50	[illegible]
103 [illegible]	96 [illegible]	Treas 12½pc 1993‡‡	100 [illegible]	[illegible]	12.37	[illegible]
86 [illegible]	82	Funding 6pc 1993‡‡	86 [illegible]xd	.....	6.93	[illegible]
107 [illegible]	99 [illegible]	Treas 13¾pc 1993‡‡	104 [illegible]	[illegible]	13.21	[illegible]
91	84 [illegible]	Treas. 8½pc 1994	90 [illegible]	[illegible]	9.44	[illegible]
111 [illegible]	102 [illegible]	Treas 14½pc 1994‡‡	107 [illegible]	[illegible]	13.54	[illegible]
107 [illegible]	99 [illegible]	Exch 13½pc 1994	104	.....	12.98	[illegible]
96 [illegible]	88 [illegible]	Treas. 10pc Ln. 1994‡‡	94 [illegible]	[illegible]	10.62	[illegible]
104 [illegible]	96 [illegible]	Exch. 12¼pc 1994	101 [illegible]	[illegible]	12.34	[illegible]
92 [illegible]	85	Treas 9pc 1994‡‡	90 [illegible]	[illegible]	9.96	[illegible]
103 [illegible]	94 [illegible]	Treas 12pc 1995	99 [illegible]	.....	12.02	[illegible]
81	73	Exch 3pc Gas 90-95	79	.....	3.80	[illegible]
96 [illegible]	88 [illegible]	Exch. 10¼pc 1995	93 [illegible]	[illegible]	10.94	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS – Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	Yield (1)	Yield (2)
120⅝	110¼	Tr. 2pc '92‡‡(97.8)	120⅜xd	[illegible]	3.52	5.17
110 [illegible]	103¼	Do. 2 '94(102.9)	110 [illegible]	.....	3.64	4.32
160 [illegible]	150⅝	Do. 2pc '96(67.9)	160 [illegible]xd	.....	3.79	4.22
131⅝	123½	Do 2½pc '01(78.3)	131xd	[illegible]	4.20	4.47
128⅝	119⅞	Do. 2½pc '03(78.8)	127½	[illegible]	4.22	4.45
131 [illegible]	122	Do. 2pc '06(69.5)	129 [illegible]	[illegible]	4.25	4.41
123 [illegible]	113⅜	Do. 2½pc '09(78.8)	119⅝	[illegible]	4.21	4.39
128 [illegible]	117¼	Do. 2½pc '11(74.6)	123½	[illegible]	4.20	4.36

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS – Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	8½	Chase Manhattan $12½	9½xd	[illegible]	$2.48	–	13.9
19¼	10⅞	Chem. Banking Corpn	11¼	-¼	$2.72	–	12.6
12½	6	Chrysler $6¼	6⅝xd	-½	$1.20	–	9.4
18¼	8⅞	Citicorp $1	9⅝xd	[illegible]	$1.78	–	9.9
40 [illegible]	30⅝	Colgate-Palmolive $1	34 [illegible]xd	[illegible]	$1.80	–	2.8
12⅝	454p	Cont'l Bank Corp $4	557p	-22	$1.00	–	9.6
268p	128p	Corporate Data Scnce	175p	.....	–		–
22⅞	14⅞	Dana Corp. $1	14⅞	[illegible]	$1.60	–	5.7
768p	274p	Data General	288p	-15	–		–
29½	20⅞	Dun & Bradstreet $1	22⅝	[illegible]	$2.12	–	5.0
37⅞	25⅜	Eaton Corpn. 50c	25⅞	[illegible]	$2.20	–	4.5
10⅞	5⅛	Echlin Inc.	5½	[illegible]	70c	–	6.3
22⅞	14⅛	FPL Group 1c	14⅞	[illegible]	$2.36	–	8.7
29½	16⅞	Fluor Corp 62½pc	19⅞	[illegible]	24c	–	0.6
30⅞	16⅞	Ford Motor $1	18⅞	.....	$3.00	–	8.5
41 [illegible]	30⅞	Gen. Elect. 63c	33 [illegible]	+½	$1.88	–	3.0
441p	256p	General Host Corp $1	270p	.....	32c	–	6.3
35 [illegible]	25⅞	Gillette $1	31⅛	[illegible]	$1.08	–	1.8

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9½	ABN Amro Fl5	£10¼	−⅛	Q28%	2.1	8.1	5.8
303	189	ANZ $A1	198	+2	44c	1.4	9.5	7.4
229	172	Abbey National 10p	214	+1	5.7	4.3	3.6	8.7
*274	144	Allied Irish Ord	156	.....	Q40%	3.3	5.7	7.1
		For Algemene see ABN Amro						
85	55	Anglo Irish	55	.....	Q18.7%	2.7	7.6	7.9
93	68	Ansbacher (H.) 1p	68	.....	2.5	1.3	4.9	19.6
£71¼	£40⅝	Bancaire Cie Fr100	£43¾	+¼	Q12¼%	−	3.0	−
£22¼	£15¼	Banco Bilbao Viz	£16¾	.....	Q49.1%	2.7	4.8	11.4
286	153	Bank Ireland Ir£1	154	.....	Q14.7%	2.9	8.5	5.4
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
350	320	Bank Leumi (U.K.)	350	.....	†15.0	−	5.7	−
125	104	Bank Scotland	112	.....	4.55	3.3	5.4	7.4
100¾	83¾	Do. 9¼pc Irrd Pf	95¼	.....	9¼%	−	12.9	−
54	39	Bank of Wales	44	.....	2.8	0.8	8.5	(21.1)
428	332	Barclays £1	333	−2	†h19.57	3.5	7.8	4.6
22	12	Benchmark 20p	12	−1	1.63	1.0	18.1	6.9
335	280	Brown Shipley £1	280	.....	12.0	2.2	5.7	9.0
*435	329	Cater Allen £1	329	−1	N24.5	−	9.9	−
179	74	Chancery	77	.....	9.0	2.7	15.6	3.1
£23¾	£16¾	Commerzbk DM10	£17½	.....	Q18%	−	3.5	−
£13¼	675	Dai Ichi KBk Y50	704	.....	Q17%	◆	0.5	◆
*£313¾	£216½	Deutsche Bk DM50	£230	+2½	Q28%	−	2.0	−
£20⅞	£15¼	Espirito Santo	£15¼	.....	Q75c	5.1	2.6	7.4
253	174	First Nat. Fin. 10p	189	.....	13.0	2.1	9.2	6.5
121	88	FNFC 6.3pc Cv. Pf	93	.....	6.3%	−	9.0	−
£13¼	800	Fuji Bank Y50	830	.....	Q17%	◆	0.4	◆
325	262	Gerrard & National	281	.....	19.0	−	9.0	−
154	113	Guinness Mahon 10p	113	.....	2.1	−	2.5	−
328	194	Hambros 20p	215	.....	11.5	−	7.1	−
128	90	Do. 7.5pc Cv Pf	93xd	+1	7½%	−	10.8	−
53½	34½	HK & Shang. HK$2.50	37	.....	†hQ38c	−	7.0	−
476	408	Joseph (Leo) £1	408	.....	15.85	−	5.2	−
150	121	King & Shaxson 20p	129	.....	10.25	−	11.1	−
422	320	Kleinwort Benson Grp	321	−2	16.0	2.5	6.6	7.6
642	339	Kyowa Bank Y50	391	+33	Q14%	◆	0.7	◆
316	242	Lloyds £1	268	+1	†13.3	2.6	6.6	6.3
56	44	Lon. Scot. Bank 10p	49	.....	†2.4	1.9	6.5	9.7
404	230	Midland £1	241	+2	†18.0	2.6	10.0	5.0
£14½	£10½	Mitsubishi Bank Y50	£10½	.....	Q17%	◆	0.3	◆
£12¼	£4⅝	Mitsubishi Tst & Bk Y50	£5⅝	+¼	Q17%	◆	0.5	◆
£10⅝	£5⅝	Mitsui Taiyo Kobe Y50	£6⅛	+¼	†Q16%	6.0	0.5	36.2
904	447	Mitsui Tst & Bk Y50	503	+13	Q17%	◆	0.6	◆
326	272	Nat Aust. Bk. A$1	287	+1	s050c	1.6	7.5	8.3
368	265	NatWest £1	265	.....	†16.7	3.3	8.4	4.8
£210	£165	Ottoman Bank	£170	.....	Q110%	2.8	6.5	5.5
55	35	Rea Bros. Group	35xd	.....	0.5	3.2	1.9	17.5
227	143	Royal Bk. Scotland	152	.....	†7.2	3.8	6.3	5.3
795	368	Saitama Bank Y50	430	+18	Q14%	◆	0.6	◆
£12¼	612	Sanwa Bank Y50	644	.....	Q17%	◆	0.5	◆
902½	693	Schroders £1	693	.....	h12.5	5.9	2.4	9.4
712½	488	Do. £1 N/V	488	.....	h12.5	5.9	3.4	6.6
£25¾	£13¼	Sec. Pacific $10	£14½	−¼	Q$2.52	−	9.2	−
616	352	Standard Chartd. £1	379	.....	35.0	1.4	12.3	(7.1)
£16½	£6⅞	Sumitomo Bank Y50	£7⅛	+⅛	†Q16%	7.5	0.4	31.5
£11	£4⅞	Sumitomo Tst & Bk Y50	£5¼	.....	Q17%	6.9	0.6	25.1
147	120	TSB	127	−4	†5.8	2.5	6.1	8.3
175	126	TSB Bank Ch'nel Is'l	132	.....	†Q6.7	3.5	5.1	6.6
£11¼	£5½	Tokai Bank Y50	£6⅞	+⅛	Q16%	4.1	0.6	49.5
920	531	Toyo Tst & Bk Y50	632	+25	Q15.2%	6.9	0.4	30.4
611	530	Union Discount £1	543	.....	33.0	−	8.1	−
525	346	Warburg (S.G.)	348	−2	15.0	3.8	5.7	6.1
180	118	Do 6pc Cnv Prf	118xd	−1	6%	−	6.8	−
279	193	Westpac $A1	283	+2	Q52.5c	1.5	11.6	5.6
420	348	Wintrust 20p	355	+7	†7.8	4.2	2.9	9.8
969	574	Yasuda Tst & Bk. Y50	649	+16	Q17%	◆	0.5	◆

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
175	45	CLF Yeoman 50p	50xd	+5	Q18.5%	3.2	17.5	2.4
71	53	Cambridge Grp Ir5p	53	.....	Q7½%	15.6	0.6	12.9
55	11	Capital Leasing Ir.10p	18	.....	Q13%	3.5	5.8	4.4
68	50	Cattle's (Hdgs) 10p	59xd	+1	†3.58	1.9	8.1	8.5
426	362	Prov. Financial	375xd	.....	†20.5	2.1	7.3	8.7
*232	160	Reflex Invs. Ir5p	160	.....	Q51%	7.9	1.4	11.8
225	199	Secure Trust Grp. 1p	217	.....	8.5	2.4	5.2	10.7
210	135	Woodchester IR20p	152	+5	Q16.7%	5.9	2.0	11.3

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....				
225	163	Airflow Streamlines	163	.....	3.5	10.8	1.0	12.0
190	145	Bostrom 5p	170	.....	6.0	3.9	4.9	7.0
266	188	Dowty 50p	202	+2	5.75	3.1	4.5	7.7
239	132	FR Group	141	.....	9.0	2.1	5.9	9.7
135	55	Kwik-Fit Hldgs. 10p	65	+2	6.37	3.2	6.0	6.7
174	121	Lucas Inds.	131	.....	2.4	1.7	4.9	16.3
44	18	Do. Warrants	20	.....	16.25	3.0	6.4	5.9
80	65	Mid-States 10p	66	.....	s20.75	—	1.6	54.0

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	22	.....	1.0	3.0	6.1	6.6
135	81	Appleyard 10p	81xd	.....	17.8	2.4	12.8	3.8
110	68	Bletchley Motor 20p	68	.....	7.5	1.9	14.7	4.8
560	445	Caffyns 50p	445	.....	11.5	0.3	3.4	—
121	98	Central Motor Auctns.	108	.....	13.25	3.2	4.0	10.3
61	26	Cook (D C.) Hldgs	31xd	.....	1.0	4	4.3	9
89	33	Cowie (T.) 5p	52	.....	4.2	1.5	10.8	7.2
95	65	Dagenham Motors 10p	66	.....	5.25	2.8	10.6	4.6
98	78	Davenport Vernon 10p	78	.....	3.5	3.6	6.0	5.4
29	16	Equity & Gen 5p	208	.....	11.5	1.7	10.0	7.1
247	163	Evans Halshaw	174xd	.....	11.25	2.4	8.6	6.4
113	85	Gates (F G.)	90	.....	2.75	1.9	4.1	16.9
161	68	Gowrings 10p	72	−22	5.63	1.3	10.8	7.8
167	118	Hartwell	154	.....	3.6	4	3.1	4
81	50	Jacks Wm.	58	.....	2.0	2.0	5.3	25.1
118	56	Jessups	59	−1	7.0	2.5	15.8	3.3
297	220	Lex Service	233	+2	15.3	1.9	8.8	[illegible]
147	50	Lookers	73	+10	[illegible]	[illegible]	[illegible]	[illegible]
43	31	Malaya Group 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr
285	163	Helical Bar 5p	182	−3	10.0	4.0
81	55	Do. 5¼pc Cv Pf '12	61	+2	5¼%	
177	140	Herring Son & Daw 10p	145	.....	15.75	3.3
67	47	HK Land Hldgs.	54	.....	Q48c	
18½	10	INOCO 10p	10	.....		
250	225	Jermyn Invest.	250	.....	3.0	16.9
37½	30	Key City Prop.	30	.....		
549	458	Land Securities £1	492	+3	17.0	1.4
£91¼	£76½	Do. 10pc 1st Mt Deb 2025	£81	.....	Q10%	
£91	£76¼	Do. 10pc 1st Db 2030	£79½	−⅛	Q10%	
670	543	Lend Lease 50c	613	+5	Q70c	
£95	£79¼	LETINVEST 10½pc Deb 2022	£84½	.....	Q10½%	
158	17	Lodo & Murphy 5p	23	−1	6.65	2.9
48	26	Lon Securities 15p	27	+1	1.5	4.8
81	48	Do. 8¼pc (Net) Cv	58	.....	8.25	
549	445	MEPC	446	−2	†17.0	2.7
82	30	Markheath	48	.....	6.0	1.4
43	17	Marylebone Ests 5p	17	.....	3.0	1.8
*215	13	McInerney 10p	28	+1	Q34.7%	
175	120	McKay Secs 20p	149	.....	5.8	
27	6	Merchant Mail. Ests.	6	.....	1.0	
436	253	Merivale Moore 5p.	253	−10	10.5	5.0
63	8	Merlin Intl Props.	8	.....	2.0	
71	26	Mickiegate Grp. 1p	26	.....	L2.25	
50	36	Molyneux Ests.	36	.....	20.5	
107	47	Mountview Estates 10p	47	−2	3.75	4.0
163	91	Mountleigh	93	+1	4.75	
95	54	Do. 5.25pc Cnv Pf	58	+1	5.25%	
1200	895	Mountview Ests. 5p.	895	.....	11.5	11.0
40	13	Mowat Group 10p	14	−1	a1.2	4.8
124	86	Muckiow (A. & J.)	93	+2	tb4.46	1.5
63	40	New Cavendish 5p	46	.....		
27½	15½	New Eng. Prop 5p	16½	.....		
19	11½	Ossory Estates 5p	12	.....	1.0	2.3
237	135	Palmerston Hldgs.	135	.....	10.75	2.3
236	125	Peel Hldgs.	[illegible]	[illegible]	8.75	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

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MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1	880	.....
Finlay Pkg. 5p	53	.....
Holt (Jos) 25p	1310	.....

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£91½	+¼
Fin. 13% 97/02	£108½	.....
Arnotts	282	.....
Carrol (P.J.)	210	.....
Hall (R. & H.)	165	.....
Helton Hldgs.	58	−2
IRG	150	.....
United Drug	143	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	7
Asda (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5¼
FNFC	20
Gen Accident	46¼
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Matheson Unit Trust Managers Ltd (1200)H
Admiral 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Bid Price	Canc. Price	Offer Price	+ or -	Yield Gr's
SE Asia	6	45.58	45.58	48.75	-0.32	2.34
UK Growth t(4-1)	6	60.00	60.00	64.17	+0.14	3.85
UK High Income	6	32.79	32.79	35.07	+0.03	5.76

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham, Kent BR3 4WA 081-663 3111

	Init Chrge	Bid Price	Canc. Price	Offer Price	+ or -	Yield Gr's
Income	5	304.3	308.5xd	328.2	+7.5	5.40
Global Inc	5	43.37	43.37xd	46.14	+0.02	5.37
Brit Leaders	5	239.2	239.2xd	254.5	+2.0	4.43
Intl Leaders	5	130.8	130.8xd	139.2	.....	3.08

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Bid Price	Canc. Price	Offer Price	+ or -	Yield Gr's
Health Fund	5½	48.99	48.99	53.45	-0.21	.31

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Bid Price	Canc. Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5	61.91	62.03	65.99	-0.73	1.68
NPI American Dist ♥	5	58.24	58.36	62.08	-0.69	1.68
NPI European Acc	5	69.64	69.88	74.34	-0.31	0.23
NPI European Dist	5	68.57	68.80	73.19	-0.32	0.23
NPI Far East Acc ♥	5	102.06	102.44	108.98	+1.14	0.48
NPI Far East Dist ♥	5	101.34	101.72xd	108.21	+1.13	0.48
NPI O'seas Acc	5	816.5	818.8	871.1	-4.08	1.39
NPI O'seas Dist	5	639.3	641.1xd	682.0	-4.70	1.39
NPI UK Acc	5	430.9	435.4	463.2	+4.28	4.21
NPI UK Dist	5	243.4	246.0	261.7	+2.40	4.21
NPI W'wide Acc	5	68.02	68.73	73.12	-0.33	0.22
NPI W'wide Dist	5	65.58	66.26	70.49	-0.32	0.22

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing 0296 312156						
American Eagle	5	63.86	63.86	68.18	-1.48	1.13
Australia	5	6.599	6.599	7.060	+0.10	3.78
Equity	5	142.6	142.6	153.0	-0.4	5.03
Euro Spec Sits	5	106.1	106.1	114.2	+0.2	0.60
Financial	5	25.69	25.89	27.82	-0.09	3.12
Global Opps Inc	5	61.11	61.11	65.70	+0.13	0.00
Global Opps Acc	5	61.57	61.57	66.19	+0.13	0.00
Gold & Gen Inc	5	41.76	41.76	44.85	-0.27	0.89
Gold & Gen Acc	5	77.86	77.84	83.59	-0.51	0.89
Income	5	87.65	87.65	94.22	-0.06	6.58
Japan & General	5	115.0	115.0	123.9	+3.1	0.00
Preference Share	5	17.94	17.94	18.85	-0.01	14.07
UK Capital	5	78.28	78.28	84.09	-0.74	4.01
World Income	5	56.54	56.54	60.62	-0.18	5.83
Worldwide Capital	5	151.9	151.9	163.3	-0.2	3.35
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	104.76	105.50	112.83	-0.75	3.29
Global Growth Inc	6	100.65	101.36	108.41	-0.72	3.29
Global Balanced Acc	6	101.57	102.07	109.16	-0.51	4.51
Global Balanced Inc	6	96.56	97.04	103.79	-0.48	4.51
Value Tst Acc		75.12	76.36	81.67	+0.29	4.03
Value Tst Inc	6½	73.24	74.45	79.63	+0.28	4.03
Intl Pen & Ch Ues Inc ¥	5	98.50	99.88	104.86	+2.10	3.57
Intl Pen & Ch Ues Acc ¥	2	96.57	97.93	102.81	+2.06	3.57
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	47.17	47.45	50.47	-0.18	–
Overseas	5	41.82	42.09	44.77	+0.83	–
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq, London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	45.57	45.57	48.60	-0.74	0.23
(Accum Units)	5	46.89	46.89	50.01	-0.77	0.23
Cash	0	50.15	50.15	50.15	+0.10	14.83
Accum Units	0	50.15	50.15	50.15	+0.10	14.83
European Opps ‡	5	64.94	64.94	69.26	-0.30	0.00
(Accum Units) ‡	5	65.30	65.30	69.64	-0.31	0.00
Far Eastern Opps	5	112.88	112.88	120.39	-1.63	0.00
(Accum Units)	5	113.60	113.60	121.16	-1.64	0.00
Golden Opps	5	31.97	32.04	34.16	+0.12	0.00
(Accum Units)	5	32.88	32.95	35.14	+0.13	0.00
Intl Hi-Yield	5	52.35	52.66	56.16	+0.36	4.90
(Accum Units)	5	57.06	57.40	61.22	+0.39	4.90
Sanyo Japan Tst	5	62.84	62.84	67.02	-1.51	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 5	41.9	43.5xd	.....	2.39
Euro Expt Sept 5	50.8	53.3xd	.....	2.85
Fixed Int Ex Sept 5	42.3	43.5	.....	11.42
Japan Expt Sept 5	41.5	43.2	.....	0.77
Managed Ex Sept 6	40.0	41.5	+0.20	5.25
SE Asia Expt Sept 5	62.1	65.1	.....	3.32
Sm Cos Expt Sept 5	32.1	33.7	.....	5.17
UK Eqty Ex Sept 5	37.2	39.0	.....	4.60
Phillips & Drew Fund Management Ltd				
Small Co's Sep 5	641.8	685.8	.....	5.25
Do Accum	706.9	755.2	.....	5.25
Intl Expt Sept 6	155.8	158.6	.....	3.0
UK Index Sept 5	1015	1035	.....	5.1
Do Accum	1059	1080	.....	5.1
Convertible Sept 10	83.40	85.88	.....	8.3
World ex UK Index Sept 10	685.8	695.0	.....	2.40
Do Accum	685.5	695.0	.....	2.40
Japan Index Sept 10	553.8	561.9	.....	0.6
Do Accum	534.8	542.9	.....	0.6
USA Index Sept 10	781.8	786.9	.....	3.7
Do Accum	792.8	797.9	.....	3.7
European ex UK Index Sept 10	854.2	875.1	.....	2.8
Do Accum	867.5	888.6	.....	2.8
Pacific ex Jus Index Sept 10	833.2	856.2	.....	5.2
Do Accum	848.9	872.3	.....	5.2
Managed Exempt Sept 6	91.15	92.76	.....	5.25
NM Rothschild Asset Management Ltd				
NC Managed	54.6	58.1xd	+0.3	4.14
NC Property	179.5	196.5	.....	–
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	1130.5	131.6	.....	2.97
Stewart Ivory & Co Ltd				
Saints PPP Aug 13	245.8	258.1	.....	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sept 3	91.53	96.95	.....	4.26
(Accum Units)	93.34	98.87	.....	4.26
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1029	1041	.....	2.56
TR Exempt Nth Amer	771	786	.....	4.14

	Bid Price	Offer Price	+ or -	Yield Gross
Lifetime Assurance Co Ltd				
Bank Hse, St John's Rd, Harrow HA1 2EE 081-861 5999				
Managed Security	96.9	102.1	.....	–
Managed Growth	93.0	97.97	.....	–
Managed Opportunity	84.5	89.0	.....	–
Property	98.8	104.0	.....	–
Fixed Interest	96.9	102.0	.....	–
Cash	98.7	103.9	.....	–
UK Equity	87.8	92.5	.....	–
Intl Equity	94.0	99.0	.....	–
Pension Funds				

	Bid Price	Offer Price	+ or -	Yield Gross
Merchant Investors Assurance Co Ltd – Contd.				
MI Gar Japan		107.8	+0.7	–
MI Gar Pacific Grth		135.6	-0.2	–
MI Hen Spec Situations		100.5	-0.5	–
MI Hen Recovery		87.5	+1.2	–
MI Hen Financial		92.2	-0.2	–
MI Hen Inc & Growth		106.6	-0.2	–
MI Hen Inc & Assets		105.8	-0.4	–
MI Hen High Income		112.9	-0.3	–
MI Hen Extra Income		100.8	-0.2	–

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	62.2	65.5	+0.2	-
Stock Market Mngd Fund	59.5	62.6	+0.2	-
Equity Fund	66.5	70.0	+0.4	-
International Fund	53.3	56.1	+0.1	-
European Fund	65.4	68.8	+0.1	-
North American Fund	51.7	54.4	-0.9	-
Pacific Fund	56.6	59.6	.....	-
Property Fund	87.0	91.5	.....	-
Fixed Interest Fund	51.4	54.1	+0.1	-
Index Linked Sec Fund	57.5	60.5	+0.1	-
Deposit Fund	64.9	68.4	.....	-
NUAM Retirement Plans				
Mixed Fund	67.4	70.9	+0.3	-
UK Ordinary Share Fd	76.6	80.7	+0.6	-
International Fund	57.7	60.7	-0.1	-
Property Fund	85.2	89.7	.....	-
Fixed Interest Fund	60.9	64.1	+0.1	-
Index Linked Sec Fund	60.7	63.9	+0.1	-
Deposit Fund	75.0	79.0	+0.1	-
NUAM (MP)				
Managed Fund	880.0	926.4	+3.2	-
Equity Fund	1829.3	1925.6	+10.6	-
International Fund	140.6	148.0	+0.1	-
Property Fund	550.1	579.1	+0.5	-
Fixed Interest Fund	385.0	405.3	+0.9	-
Index Linked Sec Fund	58.5	61.6	+0.1	-
Deposit Fund	267.0	281.1	.....	-
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd	104.40	109.90	+0.03	-
Managed Fd	84.70	89.16	+0.28	-
UK Ord Share Fd	87.29	91.88	+0.60	-
International Fd	78.84	82.99	+0.03	-
European Fd	90.63	95.40	+0.13	-
North American Fd	78.77	82.92	-1.27	-
Pacific Fd	71.67	75.45	-0.02	-
Property Fd	99.82	105.08	+0.08	-
Fixed Int Fd	92.71	97.58	+0.18	-
Intl Bond Fd	88.18	92.83	+0.08	-
Deposit Fd	105.07	110.60	+0.03	-
Unitised Pensions				
With Profits Fd	137.20	144.43	+0.06	-
Managed Fd	135.14	142.26	+0.62	-
UK Equity Fd	141.80	149.26	+1.10	-
International Fd	136.98	144.19	-0.13	-
European Fd	145.12	152.76	+0.22	-
North American Fd	131.19	138.09	-2.08	-
Pacific Fd	105.06	110.59	-0.05	-
Property Fd	154.91	163.06	+0.03	-
Fixed Int Fd	107.87	113.54	+0.23	-
Intl Bond Fd	113.15	119.11	-0.10	-
Bldg Soc Dep Fd	130.95	137.84	+0.05	-
Pensionvestor* & Unit-Linked Plan*				
Mixed Fund	364.9	384.1	+1.7	-
Ordinary Share Fund	534.2	562.3	-0.6	-
International Fund	147.2	154.9	+3.3	-
Property Fund	262.8	276.6	+0.3	-
Fixed Interest Fund	303.8	319.8	+0.7	-
Index-Linked Sec Fund	171.2	180.2	+0.5	-
Deposit Fund	234.2	246.5	+0.6	-
Norwich Units June 15	938.37		.....	
*Prices as at September 11				
Jersey Investment Plan				
With Profits Fund	102.25	107.64	+0.04	-
Intl Equity Fund	79.92	84.13	+0.04	-
Intl Bond Fund	94.79	99.78	-0.03	-
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop Dist. (Gross)	163.9	172.6	.....	-
Prop Acc. (Gross)	281.2	296.1	.....	-
Equity (Gross)	726.6	764.8	+7.0	-
Managed (Gross)	519.4	546.8	+4.3	-
Prop. Acc (Net)	131.4	138.4	+0.1	-
Equity (Net)	169.2	178.1	+1.5	-
Managed (Net)	159.6	168.0	+1.2	-
Internat'nal (net)	146.9	154.6	+0.5	-
Gilt & Fxd Interest	105.6	111.2	+0.6	-
Money Fund	118.6	124.9	.....	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	533.8	561.9	+3.8	-
Ret Man (Series 2)	181.0	190.6	+1.3	-
Ret Man (Series 3)	120.9	120.9	+0.8	-
Ret Cash	161.0	169.4	...	-
Ret Cash (Series 3)	133.9	133.9	+0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd – Contd.				
Individual Pension Funds				
UK Equity Acc	210.0	211.6	+1.9	-
UK Fixed Interest Acc	188.9	199.3	+1.5	-
Intl Equities Acc	211.3	222.9	+1.1	-
UK Managed Acc	170.6	179.9	+1.2	-
Property Acc	208.4	219.9	.....	-
Money Acc	146.9	155.0	+0.2	-
Special Market Acc	222.4	234.6	+2.0	-
Japan Equity Acc	161.8	170.7	+1.9	-
North American Acc	109.0	115.0	-0.4	-
Pacific Acc	165.9	175.0	+3.9	-
Technology Acc	142.2	150.0	+0.6	-
Natural Resources Acc	102.4	108.1	...	-
European Acc	117.7	124.2	+0.4	-
Residential Prop Acc	105.7	111.6	...	-
Swiss Equities Acc	35.3	37.3	-0.1	-
Hong Kong Acc	49.0	51.7	+0.5	-
UK High Inc Equ Acc	67.9	71.7	+0.5	-
Int Fixed Interest Acc	52.6	55.5	+0.6	-
Int. Managed Acc	54.1	57.0	+0.2	-
Group Pension Funds				
Equity Acc	723.9	746.3	+11.4	-
Fixed Interest Acc	556.5	573.8	-0.1	-
Managed Acc	120.9	123.3	+1.0	-
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund (Mixed)	986.5	1035.8	+1.8	-
Equity Fund	225.3	236.6	+0.3	-
International Fd	131.4	138.0	+0.3	-
Fixed Interest Fd	155.1	162.9	+0.7	-
Property Fund	227.3	238.7	...	-
Index-Linked Fund	145.9	153.2	+0.6	-
Deposit Fund	154.2	161.9	+0.1	-
Pens. Mixed (Ord) Fd	239.8	251.8	+0.4	-
Gold Pensions				
Discretionary Fund		116.9	+0.3	-
Equity Fund		116.4	+0.2	-
Fixed Interest Fund		113.3	+0.6	-
International Fund		101.2	...	-
Property Fund		138.0	...	-
Index-Linked Fund		121.8	+0.3	-
Deposit Fund		131.4	...	-
S & F Consolidation		119.6	+0.2	-
S & F Balanced		119.3	.....	-
S & F Maximum Growth		88.9	-0.3	-
Provident Mutual Life Assc. Assn.				
Wilkin Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	317.6	334.3	+2.3	-
Managed Init	245.5	258.4	+1.8	-
Equity Ord	457.9	482.0	+5.5	-
Equity Init	353.9	372.5	+4.2	-
Index Linked Gilt Ord	144.5	152.1	+0.2	-
Index Linked Gilt Init	116.7	122.8	+0.2	-
Overseas Equity Ord	252.7	266.0	+1.3	-
Overseas Equity Init	195.3	205.6	+1	-
Property Ord	219.9	231.5	+0.1	-
Property Init	169.9	178.8	.....	-
Fixed Interest Ord	178.8	188.2	+0.4	-
Fixed Interest Init	138.2	145.5	+0.3	-
Deposit Ord	161.6	170.1	.....	-
Deposit Init	124.9	131.5	.....	-
Pension Funds				
Managed Ord	394.6	415.4	+3.5	-
Managed Init	305.0	321.1	+2.8	-
Equity Ord	582.1	612.7	+8.7	-
Equity Init	449.9	473.6	+6.8	-
Pen Ind Lnd Gilt Ord	160.2	168.6	+0.3	-
Pen Ind Lnd Gilt Init	129.3	136.1	+0.2	-
Overseas Equity Ord	285.9	300.9	+1.5	-
Overseas Equity Init	221.0	232.6	+1.2	-
Property Ord	274.5	288.9	+0.1	-
Property Init	212.1	223.3	.....	-
Fixed Interest Ord	218.6	230.1	+0.5	-
Fixed Interest Init	168.9	177.8	+0.3	-
Deposit Ord	220.1	231.7	+0.1	-
Deposit Init	170.1	179.1	.....	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Sept 12	230.4	240.31	+0.31	-
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Holborn Series I Life Funds				
Managed	518.8	546.2	+6.2	-
Equity	1073.2	1129.7	+16.8	-

	Bid Price	Offer Price	+ or -	Yield Gross
Sun Alliance International Life				
PO Box 77, New St, St Peter Port, Guernsey 0481 714108				
North American Equity $	$8.18	8.81	.....	-
Pacific Equity $	$7.23	7.79	.....	-
Intl Currency $	$4.23	4.56	.....	-
Intl Bond Fund $	$6.63	7.14	.....	-
Gilt Fund £	£3.84	4.14	.....	-
US Dollar Mngd Fd $	$1.63	1.76	.....	-
Stlg Managed Fd £	£1.04	1.12	.....	-
Target International Group				
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751				
Sterling Pens Plan	£0.75	0.81	.....	-

	Bid Price	Offer Price	+ or -	Yield Gross
J. D. Ward Financial Services Ltd				
9 Kingsway, London, WC2 6XF. 01-836 4321				
Target Mngd Bond	188.8	198.8	+0.5	-
Target Mngd Pension	115.9	121.1	+0.5	-
Albany Life Acc	173.4	182.5	+0.1	-
Albany Pens Acc	216.3	227.7	+0.2	-

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED**)

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen hits 13-month dollar high

CONVERSION OF dollars and European currencies into yen continued yesterday as Japanese companies built up yen holdings ahead of the financial half-year accounting period.

The dollar fell sharply, to its lowest level against the yen for 13 months, and European currencies also lost ground to the surging Japanese unit. In Tokyo the dollar opened at Y139.30 and fell to Y138.30 at the close. The trend continued in Europe, with the US currency finishing in London at Y137.65 against Y139.80 on Tuesday. Against European currencies the dollar weakened on a more modest scale. It fell to DM1.5875 from DM1.5905; to SFr1.3225 from SFr1.3390; and to FFr5.3175 from FFr5.3275. On Bank of England figures the dollar's index declined to 63.2 from 63.7.

Speculation about lower US interest rates was fuelled by hopes of a compromise on the US Budget deficit. This weighed against the dollar, while the latest news from the Gulf supplied some support. Although weaker on the day the US currency finished towards the top of its European range after Ayatollah Ali Khamenei of Iran threatened a holy war to drive US forces out of the Gulf.

Sterling was firmer overall, but faces possible tests of confidence on economic news today and tomorrow. The market will be looking at the underlying level of UK average earnings in today's employment data. The year-on-year figure for July is expected to be unchanged at 10 per cent. A higher figure would be regarded as alarming, ahead of settlements in the car manufacturing industry.

Friday's publication of UK retail prices for August are also awaited nervously. High oil prices are expected to push the annual inflation rate up from 9.8 per cent to 10.2 or 10.3 per cent, with some City economists believing there is a risk of 10.4 per cent.

The market did not react favourably to a much lower than expected surplus on invisible earnings, published in UK second quarter current account statistics. The overall current account deficit rose to £4.943bn from £4.612bn in the first quarter, as the surplus on invisibles was cut sharply to £57m in the second quarter from £1.188bn in the first. Insurance payments, high interest on foreign held sterling, and lower dividends on UK overseas assets because of the pound's recent advance may have contributed to the fall in the invisible surplus.

Overall impact on sterling was muted however. The pound rose 1.45 cents to $1.8645. It also advanced to DM2.9600 from DM2.9425; to SFr2.4650 from SFr2.4575; and to FFr9.9150 from FFr9.8550, but fell to Y256.75 from Y258.75 against the strong yen. Sterling's index climbed 0.5 to 93.7.

The D-Mark fell to Y86.70 from Y87.90, but was steady within the European Monetary System. The signing of a treaty restoring sovereignty to a united Germany had no impact.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3933	+0.53	+0.17	±1.5508
Danish Krone	7.79845	7.87039	+0.92	+0.56	±1.6453
German D-Mark	2.04446	2.06160	+0.84	+0.48	±1.1762
French Franc	6.85684	6.90432	+0.69	+0.33	±1.3618
Dutch Guilder	2.30358	2.32365	+0.87	+0.51	±1.5272
Irish Punt	0.763159	0.767977	+0.63	+0.27	±1.6689
Italian Lira	1529.70	1538.17	+0.55	+0.19	±1.5162
Spanish Peseta	132.889	129.629	-2.45	-2.81	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 12	Latest	Previous Close
£ Spot	1.8655-1.8665	1.8575-1.8585
1 month	1.06-1.04pm	1.09-1.08pm
3 months	3.02-2.99pm	3.02-3.00pm
12 months	10.0-9.95pm	10.5-10.3pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept 12	Previous
8.30 am	93.5	93.2
9.00 am	93.5	93.2
10.00 am	93.4	93.0
11.00 am	93.5	93.0
Noon	93.5	93.1
1.00 pm	93.7	93.0
2.00 pm	93.7	93.1
3.00 pm	93.7	93.1
4.00 pm	93.7	93.2

CURRENCY MOVEMENTS

Sept 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.7	-19.1
U.S Dollar	63.2	-15.1
Canadian Dollar	102.5	+0.5
Austrian Schilling	109.4	+11.6
Belgian Franc	111.3	-2.2
Danish Krone	110.1	+4.5
Deutsche Mark	118.3	+24.4
Swiss Franc	116.0	+24.4
Guilder	114.2	+15.9
French Franc	105.0	-11.6
Lira	99.5	-19.5
Yen	130.3	+60.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.11.

CURRENCY RATES

Sep 12	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.747070	0.697457
U.S Dollar	7	1.37573	1.30111
Canadian $	12.92	1.59956	1.51072
Austrian Sch	6½	15.4508	14.4995
Belgian Franc	10¼	45.0655	42.3933
Danish Krone	10½	8.37544	7.87039
Deutsche Mark	6.00	2.19567	2.06160
Neth.Guilder	7.00	2.47150	2.32365
French Franc	10¼	7.34915	6.90432
Italian Lira	12½	1634.74	1538.17
Japanese Yen	6	192.396	179.553

POUND SPOT - FORWARD AGAINST THE POUND

Sep 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8540 - 1.8690	1.8640 - 1.8650	1.07-1.05cpm	6.82	3.03-3.00pm	6.47
Canada	2.1585 - 2.1735	2.1725 - 2.1735	0.43-0.34cpm	2.13	1.25-1.12pm	2.18
Netherlands	3.31 - 3.34	3.33 - 3.34	1⅞-1¾cpm	6.52	5⅛-5pm	6.07
Belgium	60.45 - 60.90	60.75 - 60.85	35-24cpm	5.82	93-73pm	5.46
Denmark	11.22¼ - 11.30½	11.26½ - 11.27½	4-3½orepm	3.99	12¼-11¼pm	4.17
Ireland	1.1010 - 1.1110	1.1015 - 1.1025	0.45-0.40ppm	4.63	1.05-0.95pm	3.63
W. Germany	2.94 - 2.96½	2.95¾ - 2.96¾	1¾-1⅝pfpm	6.84	4½-4⅜pm	6.00
Portugal	260.30 - 262.35	261.30 - 262.30	2-33cdis	-0.80	12-70dis	-0.63
Spain	184.90 - 186.45	185.65 - 185.95	8-parcpm	0.26	10-2pm	0.13
Italy	2195½ - 2208¼	2205¼ - 2206¼	11-10lirepm	5.71	24-22pm	4.17
Norway	11.35 - 11.41¼	11.39¾ - 11.40¾	4⅝-4⅛orepm	4.74	12¼-11¼pm	4.14
France	9.85 - 9.92	9.91 - 9.92	4⅛-4cpm	4.92	11-10⅝pm	4.36
Sweden	10.76½ - 10.82¾	10.80½ - 10.81½	2⅛-2orepm	2.43	5-4¼pm	1.71
Japan	255½ - 257½	256¼ - 257¼	1½-1⅜ypm	6.72	4-3⅞pm	6.13
Austria	20.70½ - 20.82½	20.79½ - 20.82½	11⅞-11gropm	6.60	31⅛-28⅞pm	5.77
Switzerland	2.45½ - 2.47	2.46 - 2.47	1⅜-1¼cpm	6.39	3⅞-3⅝pm	6.19
ECU	1.4265 - 1.4280	1.4270 - 1.4280	0.64-0.61cpm	5.25	1.70-1.65pm	4.69

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.70-5.63cpm. 12 Month 10.02-9.87pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8540 - 1.8690	1.8640 - 1.8650	1.07-1.05cpm	6.82	3.03-3.00pm	6.47
Ireland†	1.6890 - 1.6965	1.6915 - 1.6925	0.35-0.30cpm	2.30	1.32-1.22pm	3.00
Canada	1.1585 - 1.1665	1.1620 - 1.1630	0.44-0.47cdis	-4.70	1.24-1.29dis	-4.35
Netherlands	1.7810 - 1.7910	1.7880 - 1.7890	0.03-0.05cdis	-0.27	0.17-0.20dis	-0.41
Belgium	32.50 - 32.65	32.55 - 32.65	par-5cdis	-0.92	3-13dis	-0.98
Denmark	6.03⅞ - 6.06½	6.04 - 6.04½	1.30-1.50oredis	-2.78	3.90-4.30dis	-2.71
W. Germany	1.5795 - 1.5890	1.5870 - 1.5880	0.01-0.03pfdis	-0.15	0.13-0.16dis	-0.37
Portugal	140.30 - 140.45	140.30 - 140.40	50-65cdis	-4.92	190-230dis	-5.99
Spain	99.30 - 99.85	99.65 - 99.75	52-56cdis	-6.50	157-167dis	-6.50
Italy	1178 - 1185½	1183 - 1183½	0.60-1.10liredis	-0.86	5.80-6.80dis	-2.13
Norway	6.09¾ - 6.12⅞	6.11¼ - 6.11¾	0.95-1.20oredis	-2.11	3.45-3.75dis	-2.35
France	5.29¾ - 5.32¼	5.31½ - 5.32	0.79-0.84cdis	-1.84	2.76-2.86dis	-2.11
Sweden	5.79¾ - 5.81¼	5.79½ - 5.80	2.10-2.25oredis	-4.5	6.85-7.10dis	-4.81
Japan	137.40 - 138.60	137.60 - 137.70	0.01-0.03ydis	-0.17	0.10-0.13dis	-0.33
Austria	11.12¼ - 11.18	11.14¾ - 11.15¼	0.25-0.60grodis	-0.46	1.60-2.60dis	-0.75
Switzerland	1.3150 - 1.3250	1.3220 - 1.3230	0.01dis-0.02cdis	-0.14	0.07-0.14dis	-0.32
ECU	1.3025 - 1.3100	1.3055 - 1.3065	0.17-0.15cpm	1.47	0.61-0.58pm	1.82

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14⅞	15 - 14⅞	15 - 15 1/16	14 15/16 - 14⅞	14⅞ - 14¾	14½ - 14⅜
US Dollar	8 1/16 - 7 15/16	8 1/16 - 7 15/16	8⅛ - 8	8⅛ - 8	8⅛ - 8	8¼ - 8⅛
Can. Dollar	13 - 12¾	12⅞ - 12⅝	12 13/16 - 12 9/16	12 11/16 - 12 9/16	12 - 11⅞	11⅝ - 11½
D. Guilder	8⅜ - 8¼	8⅜ - 8¼	8 7/16 - 8 5/16	8½ - 8⅜	8⅝ - 8½	8 13/16 - 8 11/16
Sw. Franc	8 - 7⅞	8 - 7⅞	8 5/16 - 8 3/16	8⅜ - 8¼	8 7/16 - 8 5/16	8 9/16 - 8 7/16
Deutschmark	8⅛ - 8	8⅜ - 8 5/16	8⅜ - 8¼	8½ - 8⅜	8⅞ - 8⅝	9 1/16 - 8 15/16
Fr. Franc	9⅝ - 9½	9 13/16 - 9¾	9 15/16 - 9 13/16	10¼ - 10⅛	10⅜ - 10¼	10 9/16 - 10⅜

OTHER CURRENCIES

Hong Kong	14.4910 - 14.5045	7.7695 - 7.7715
Iran	126.60*	65.80*
Korea(Sth)	1317.70 - 1338.95	712.50 - 718.10
Kuwait	N/A	N/A
Luxembourg	60.75 - 60.85	32.55 - 32.65
Malaysia	5.0130 - 5.0250	2.6890 - 2.6910
Mexico	5378.05 - 5399.60	2886.00 - 2896.00
N.Zealand	2.9985 - 3.0035	1.6065 - 1.6090
Saudi Ar	6.9785 - 6.9845	3.7495 - 3.7505
Singapore	3.2945 - 3.3020	1.7690 - 1.7710
S.Af (Cm)	4.8005 - 4.8125	2.5820 - 2.5835
S.Af (Fn)	7.2230 - 7.3655	3.8760 - 3.9525
Taiwan	50.85 - 50.95	27.30 - 27.35
U.A.E.	6.8305 - 6.8410	3.6700 - 3.6735

* Selling rate

EXCHANGE CROSS RATES

Sept 12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.338	0.630	1	86.72	3.350					
YEN	3.896	7.261	11.53	1000.	38.62					
F Fr.	1.009	1.880	2.985	258.9	10.	2.486	3.364	2225	2.192	61.32
S Fr.	0.406	0.756	1.201	104.1	4.022	1	1.353	894.9	0.882	24.67
H Fl.	0.300	0.559	0.888	76.97	2.973	0.739	1	661.5	0.652	18.23
Lira	0.453	0.845	1.342	116.4	4.495	1.117	1.512	1000.	0.985	27.56
C $	0.460	0.858	1.362	118.1	4.563	1.134	1.535	1015	1	27.98
B Fr.	1.645	3.066	4.868	422.2	16.31	4.054	5.485	3628	3.574	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8645	1.8539	1.8344	1.8075	1.7646

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.8626	1.8660	1.8616	1.8530
Dec	1.8328	1.8372	1.8316	1.8230
Mar	1.8080	1.8080	1.8060	1.7960

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low
September	1685.0	1646.0	-15.0	1697.0	1641.0
October	1682.0	1650.0	-15.0	1697.0	1650.0
November	1690.0	1690.0	+14.0	1690.0	1690.0
December	-	-		-	-

Estimated volume 8,675 Total Open Interest 10,910

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williman Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bank	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bank	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Slightly softer tone

THERE WAS a slightly softer tone to interest rates in London yesterday, with sentiment underpinned by a firmer pound on the foreign exchanges. Trading was very quiet as the financial markets looked ahead to tomorrow's data on UK retail prices amid fear that the annual inflation rate will rise into double figures.

Three-month sterling interbank was quoted at 14 15/16-14⅞ per cent against 15-14⅞, while 12-month money was 14½-14⅜ per cent compared with 14⅝-14 7/16.

Short sterling futures moved within a narrow range on Liffe. A better performance by the pound led to December delivery opening higher at 85.78.

UK clearing bank base lending rate 15 per cent from October 5, 1989

This was near the day's peak however, with the contract touching 85.79 before falling back to close at 85.71 against 85.74 previously.

The Bank of England initially forecast a day-to-day credit shortage of £350m on the money market, but revised this to £400m in the afternoon.

Total help of £301m was provided. Before lunch the authorities bought £119m bills, by way of £1m Treasury bills in band 1 at 14⅞ per cent and £118m bank bills in band 1 at 14⅞ per cent. In the afternoon another £127m bank bills were purchased in band 1 at 14⅞ per cent. Late assistance of around £55m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £423m, with a rise in the note circulation absorbing £75m and bank balances below target £120m. These outweighed Exchequer transactions adding £285m to liquidity.

In Frankfurt call money was steady at the Bundesbank's 8 per cent Lombard emergency financing rate after the allocation of liquidity at this week's 28-day securities repurchase agreement tender. The Bundesbank accepted bids of DM23.1bn at rates of 7.95 to 8.10 per cent, virtually replacing an expiring pact of DM23.2bn.

Dealers interpreted the fact that the central bank met as much as 20 per cent of bids made at the lowest accepted rate of 7.95 per cent as a sign that the authorities wish to push call money below the Lombard rate.

The generous allocation of funds may also reflect a sympathetic attitude by the Bundesbank to strains developing in the system because East German banks are holding more reserves than required with the central bank.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept 12) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	7.63	Three year	8.19
Broker loan rate	9¾	Two month	7.76	Four year	8.37
Fed.funds	8	Three month	7.61	Five year	8.45
Fed.funds at intervention	-	Six month	7.70	Seven year	8.69
		One year	7.72	10-year	8.81
		Two year	8.02	30-year	8.94

Sept 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.95-8.05	8.10-8.25	8.20-8.35	8.30-8.45	8.60-8.75	8.00
Paris	9¾-9⅞	9⅞-10	10 1/16-10 3/16	10 3/16-10 5/16	10¼-10½	9.50
Zurich	5⅞-6⅛	7⅞-8⅛	-	8⅛-8⅜	-	-
Amsterdam	8.18-8.31	8.28-8.35	-	8.43-8.53	-	-
Tokyo	7⅞-7⅝	8⅛-8⅜	-	8⅛-8½	-	-
Milan	10⅝-10⅞	9⅝-9⅞	-	10-11⅛	-	-
Brussels	10.75	9-9⅛	-	9⅜-9⅝	-	-
Dublin	10½-10⅝	10 11/16-10 13/16	11⅛-11¼	11⅛-11¼	11⅛-11¼	-

LONDON MONEY RATES

Sep 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	15	15	15	14⅞	14½
Interbank Bid	14¾	14⅞	14⅞	14⅞	14¾	14⅜
Sterling CDs	–	–	14 15/16	14 13/16	14 11/16	14⅜
Local Authority Deps.	14⅞	14⅞	14 15/16	14⅞	14⅞	14½
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps.	15	14⅞	14 15/16	14½	–	–
Company Deposits	–	–	14 15/16	14 15/16	14 13/16	14¼
Finance House Deposits	–	–	15	14 15/16	14¾	14½
Treasury Bills (Buy)	–	–	14 13/16	14⅝	–	–
Bank Bills (Buy)	–	–	14 13/16	14 11/16	13 15/16	–
Fine Trade Bills (Buy)	–	–	15⅛	14 13/16	14 11/16	–
Dollar CDs	–	–	8.07	8.02	8.02	8.15
SDR Linked Dep. Offer	–	–	9⅛	9¼	9⅜	9⅝
SDR Linked Dep. Bid	–	–	8 15/16	9⅛	9¼	9⅜
ECU Linked Dep. Offer	–	–	9½	9 13/16	10⅛	10⅜
ECU Linked Dep. Bid	–	–	9⅜	9 11/16	10⅛	10¼

Treasury Bills (sell); one-month 14⅝ per cent; three months 14¼ per cent; six months 13 13/16 per cent; Bank Bills (sell): one-month 14 11/16 per cent; three months 14 9/16 per cent; Treasury Bills; Average tender rate of discount 14.2984 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1990. Agreed rates for period Sept 26,1990 to Oct 23, 1990, Scheme I: 15.80 p.c., Schemes II & III: 16.27 p.c. Reference rate for period Aug 1,1990 to Aug 31, 1990, Scheme IV&V: 15.021 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from September 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,340 Set by FETTLER

ACROSS

1 Game contrived about beginning of century (6)
4 Game score contrived about beginning of century (6)
8 Number of coaches preceding sovereign's coach (7)
9 Move in fencing; about one stake need insertion (7)
11 Game with frail bowling on the whole (10)
12 One not in condition to play, lacking force (4)
13 Stick! Continue playing (5)
14 Game I've made playful (8)
16 A forward movement Derby initially promoted (8)
18 Karate, being a bit rough, is wanting one acceptant (5)
20 Javelins, thrown over one edge (4)
21 Wimbledon's top of the second division (6,4)
23 Try at test (7)
24 Island pursuit – paperchase perhaps! (7)
25 Cross-country skiing in rain or dicey conditions (6)
26 Petals strewn for us to walk on (6)

DOWN

1 Cheer artistic charioteer (5)
2 Game having clubs nearly threatening collapse (7)
3 See centre of sport (7,1,1)
5 Loire trip provides good views (5)
6 Game in Connecticut and in England? (7)
7 Game dog is spirited trier always (9)
10 Sea dip, wet possibly, but only half way (5-4)
13 Game China follows not at all well (9)
15 With it – as bowler's grip is (2,3,4)
17 Lay a rug: Ruth's getting up (7)
19 Aussie's knock out blow – a sovereign success (4-3)
21 Posh? I played front man for Iran once! (5)
22 Service ace going in two directions (5)

Solution to Puzzle No.7,339

WORLD STOCK MARKETS

AUSTRIA — September 12 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — September 12 — Frs. — + or −

[illegible]

DENMARK — September 12 — Kr. — + or −

[illegible]

FINLAND — September 12 — Mkk — + or −

[illegible]

FRANCE — September 12 — Frs. — + or −

[illegible]

FRANCE (continued) — September 12 — Frs. — + or −

[illegible]

GERMANY — September 12 — Dm. — + or −

[illegible]

GERMANY (continued) — September 12 — Dm. — + or −

[illegible]

ITALY — September 12 — Lire — + or −

[illegible]

ITALY (continued) — September 12 — Lire — + or −

[illegible]

NETHERLANDS — September 12 — Frs. — + or −

[illegible]

NORWAY — September 12 — Kroner — + or −

[illegible]

SPAIN — September 12 — Pts. — + or −

[illegible]

SWEDEN — September 12 — Kronor — + or −

[illegible]

SWITZERLAND — September 12 — Frs. — + or −

[illegible]

SOUTH AFRICA — September 12 — Rand — + or −

[illegible]

JAPAN — September 12 — Yen — + or −

[illegible]

AUSTRALIA — September 12 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — September 12 — Aust.$ — + or −

[illegible]

HONG KONG — September 12 — H.K.$ — + or −

[illegible]

MALAYSIA — September 12 — M.$ — + or −

[illegible]

SINGAPORE — September 12 — S.$ — + or −

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm prices September 12

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

t – No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Sept. 11	Sept. 10	Sept. 7	Sept. 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2612.62	2615.59	2619.55	2596.29	2999.75 (16/7)	2453.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.51	89.54	89.50	89.50	93.04 (3/1)	88.48 (2/5)	—	—
Transport	909.84	903.10	908.28	892.20	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	200.08	200.45	200.89	198.25	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2565.34 (2666.35) Low 2586.88 (2600.9)

STANDARD AND POOR'S

	Sept. 11	Sept. 10	Sept. 7	Sept. 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	321.04	321.63	323.40	320.46	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	380.23	380.57	382.67	379.50	437.37 (16/7)	362.23 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.64	23.92	24.03	23.76	31.87 (3/1)	22.87 (23/8)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	176.39	176.70	177.51	176.06	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	323.01	323.21	323.77	324.50	382.45 (5/1)	315.85 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	379.49	381.73	380.38	378.78	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Sep 7	Aug 24	Aug 17	year ago (approx.)
Dow Industrial Div. Yield	3.86	4.29	4.10	3.70

	Sept 5	Aug 29	Aug 22	year ago (approx.)
S & P Industrial div. yield	3.24	3.24	3.34	2.81
S & P Indl. P/E ratio	15.47	15.47	14.96	14.42

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Tandem Comp	2,820,100	11½	− 2⅛
Toys R US	2,027,400	23½	+ 1⅛
Wal-Mart Stores	1,575,700	26¾	− ¼
Pepsico	1,538,700	25⅛	+ ¼
Am T & T	1,489,400	31⅛	+ ¼
IBM	1,435,000	107½	+ 1⅝
Compaq Computer	1,342,600	43¼	− 2
Philip Morris	1,307,400	45	+ ⅛
Citicorp	1,246,600	17¾	− ⅞
Circ City	1,178,200	15⅝	− 1½

TRADING ACTIVITY

† Volume (Millions)	Sept. 11	Sept. 10	Sept. 7
New York	113.220	121.165	123.800
Amex	7.565	10.588	10.149
NASDAQ	100.067	98.259	103.159
Issues Traded	1,943	1,962	1,953
Rises	601	761	907
Falls	833	726	543
Unchanged	509	475	503
New Highs	5	7	12
New Lows	91	76	63

CANADA

TORONTO	Sept 11	Sept 10	Sept 7	Sept 6	1990 HIGH	1990 LOW
Metals & Minerals	3005.40	2984.20	2976.62	2987.08	3453.05 (4/1)	2850.80 (23/4)
Composite	3272.30	3287.70	3287.02	3312.80	4009.47 (3/1)	3287.02 (7/9)
MONTREAL Portfolio	1710.44	1721.82	1717.50	1731.63	2060.90 (3/1)	1717.50 (7/9)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sept. 12	Sept. 11	Sept. 10	Sept. 7	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1512.5	1499.4	1499.7	1478.9	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	750.9	741.7	743.9	734.9	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	517.73	519.25	529.02	505.86	703.29 (19/3)	464.55 (25/8)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5539.82	5501.85	5518.51	5465.45	6599.43 (12/1)	5243.52 (23/8)
DENMARK						
Copenhagen SE (3/1/83)	360.33	358.56	357.69	357.16	388.29 (20/7)	347.69 (23/8)
FINLAND						
Unitas General (1975)	483.6	486.0	489.2	497.9	677.3 (23/1)	483.6 (12/9)
FRANCE						
CAC General (31/12/82)	452.93	448.80	454.24	438.32	564.62 (30/5)	417.98 (22/8)
CAC 40 (31/12/87)	1648.09	1653.94	1661.76	1619.16	2129.32 (20/4)	1546.51 (21/8)
GERMANY						
FAZ Aktien (31/12/58)	681.88	674.16	683.46	667.15	832.32 (19/7)	655.37 (23/8)
Commerzbank (1/12/53)	1958.9	1934.3	1962.7	1913.1	2414.0 (3/4)	1875.4 (23/8)
DAX (30/12/87)	1598.34	1577.42	1600.45	1562.92	1968.55 (30/3)	1520.34 (23/8)
HONG KONG						
Hang Seng Bank (31/7/64)	3105.04	3083.57	3087.74	3047.91	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1280.62	1269.92	1286.16	1259.61	1893.10 (22/1)	1259.61 (7/9)
ITALY						
Banca Com. Ital. (1972)	612.15	609.35	607.56	603.92	763.52 (14/6)	584.37 (24/8)
JAPAN						
Nikkei (16/5/49)	25216.14	24604.66	25080.90	23962.07	38712.88 (4/1)	23737.63 (23/8)
Tokyo SE (Topix) (4/1/68)	1913.72	1880.70	1903.28	1845.93	2867.70 (4/1)	1829.25 (23/8)
2nd Section (4/1/68)	3591.55	3603.40	3612.24	3568.28	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	545.55	543.24	544.24	541.41	632.22 (1/8)	488.77 (23/8)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	(u)	249.1	249.9	246.0	271.9 (20/7)	236.7 (23/8)
CBS All Shr (End 1983)	(u)	184.5	186.1	182.3	206.3 (3/1)	176.1 (24/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	874.70	873.62	861.87	865.96	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	670.24	695.36	701.68	712.67	1160.70 (21/3)	670.24 (12/9)
SINGAPORE						
SES All-Singapore (2/4/75)	351.17	350.24	352.19	347.98	446.87 (16/7)	321.66 (23/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	1586.0	1563.0	1598.0	1638.0	2230.8 (16/1)	1322.0 (28/6)
JSE Industrial (28/9/78)	2849.0	2850.0	2866.0	2871.0	3211.0 (6/2)	2738.0 (24/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	610.88	613.49	612.63	613.08	928.82 (4/1)	587.38 (25/8)
SPAIN						
Madrid SE (30/12/85)	240.51	242.41	246.27	241.34	309.74 (16/7)	234.79 (23/8)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	(u)	1133.5	1135.9	1129.6	1329.9 (5/7)	1086.4 (23/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	691.2	684.5	687.3	676.5	845.5 (13/7)	656.4 (23/8)
TAIWAN**						
Weighted Price (30/6/66)	3434.72	3361.59	3487.98	(c)	12495.34 (10/2)	3135.56 (24/8)
THAILAND						
Bangkok SET (30/4/75)	804.46	828.16	839.80	838.06	1143.78 (25/7)	695.81 (24/8)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	464.3	469.7	464.0	571.0 (4/1)	448.3 (24/8)

**Saturday September 8: Taiwan Weighted Price: (c). Korea Comp Ex. 612.57

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Wednesday 12 September 1990

	Stocks Traded	Closing Prices	Change on day
Minebea	15.3m	1,070	−10
Toyobo	14.4m	685	+46
Kobe Steel	13.9m	527	+37
Sumitomo Mtl	13.5m	480	+21
Kurabo Ind	13.1m	1,870	0
Iwatani Co	12.0m	1,270	+70
Nippon Stl	11.2m	485	+4
Joyo Bank	10.3m	1,920	+70
Marubeni	10.1m	855	+51
Kawasaki Stl	9.3m	458	+28

3pm prices September 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	16	AAR	.48	3.0	10	323	15¾	15½	16¼	+ ⅛
9⅛	7⅜	ACM n	1.01	13.		120	8	7⅞	7⅞	
11⅝	9⅛	ACMIn	1.26	13.		318	9⅜	9⅝	9⅝	
9⅛	7	ACM M	n1.01	14.		337	7⅛	7⅛	7⅛	– ⅛
12⅛	10	ACMMM	1.50	13.		110	11½	11⅜	11½	
11½	9¼	ACM Sc	1.26	13.		909	9½	9⅜	9⅜	+ ⅛
9⅞	7¾	ACMSp	1.01	12.		626	8⅛	8⅛	8⅛	+ ⅛
24⅝	14⅝	AL Lab	.16	.8	18	79	20¼	20⅛	20¼	+ ⅛
5⅛	1⅞	AM Int				90	1⅞	1⅞	1⅞	– ⅛
23⅛	7	AM In pf	2	24.		53	8½	8¼	8½	– ⅛
107¼	43⅛	AMR			10	3232	44⅛	43⅝	43⅞	– ⅝
26½	25	ANR pf	2.67	10.		10	26	26	26	+ ½
4⅛	2⅞	ARX			9	4	3	3	3	– ⅛
72⅞	41⅞	ASA	3a	6.2		777	48⅝	48	48½	+1
45⅝	30⅝	AbtLab	s.84	2.1	20	4857	41	40⅛	40⅝	+ ⅛
15	11⅛	AbitiBl	g .50			12	13⅜	13⅜	13⅜	
11⅝	5⅞	AcmeC	.40	6.8	7	4	6	5⅞	5⅞	
9⅝	6⅛	AcmeE	.32	4.7	9	5	6⅛	6⅛	6⅛	
32⅛	18⅞	Acuson	s		25	94	29⅜	29	29⅜	+ ⅛
16⅞	14⅛	AdaEx	2.09e	13.		270	15½	15¼	15½	+ ⅛
15⅝	10	Adobe				368	13⅛	12½	12⅞	+ ⅛
20⅛	17⅛	Adob pf	1.84	10.		65	18⅛	18	18	
21⅝	20⅛	Adob pf	2.40	12.		23	20½	20⅛	20½	– ⅛
11⅞	4⅞	AMD			23	4336	5⅞	5½	5⅛	– ⅛
32⅝	23⅛	AMD pf	3	12.		12	24⅛	24⅛	24⅛	+ ⅛
9⅛	2⅝	Advest	.16	5.8	34	1067	3⅛	2⅞	2⅞	– ⅛
62⅛	42½	AetnLf	2.76	6.5	7	2350	42⅞	d42⅛	42½	
13⅛	8⅛	AhmPb	.24	2.8		164	9⅛	9⅛	9⅛	
25	15⅝	Ahmans	.88	5.4	7	1131	16½	16⅛	16⅝	+ ⅛
61	43	AirPrd	1.44	3.2	11	877	45⅛	44⅞	44⅞	– ⅛
27	16⅞	AirFrt	s .30	1.5	11	308	20⅞	20⅝	20⅝	
24⅝	13⅞	Airgas			26	3	15⅛	15⅛	15⅛	– ⅛
20⅛	16½	Airlease	2.52	14.	9	51	18⅛	17⅞	18⅛	+ ½

[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- X-Y-Z -								
67⅞	38½	Xerox	3	7	7	1421	39⅝	38½	39⅛	- ⅜
33½	16½	XTRA	.72	4.0		79	18⅛	17⅞	18⅛	+ ½
26½	16⅛	XTRA pf1.94		11.		222	17¼	17	17¼	+ ¼
4	1¼	Zapata				238	1⅝	1½	1½	
17¼	5¾	ZenithE				369	6	5⅝	5⅝	
9	4½	Zenix	.90	17.		346	5½	5¼	5⅜	+ ⅛
18½	10¾	Zero	.40	3.6	11	7	11¼	11⅛	11¼	+ ⅛
51⅛	34⅝	Zurnln	.76	2.0	16	394	38½	37⅞	38¼	+ ⅜
12⅝	10⅜	Zweig	1.21e	11.		348	10½	10⅜	10⅜	
10	8⅝	ZweigTl	.96	11.		1880	8⅞d	8½	8½	- ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but *not* the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise *noted, rates of dividend are annual disbursements based on the* latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock *dividend.* c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend *in Canadian funds, subject to 15% non-residence tax.* i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend *meeting.* k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value *on ex-dividend or ex-distribution date.* u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pread A	.10		59	6¼	6⅝	6⅝	
ProCom			42	2	2	2	+ ⅛
ProfCre			14	5⅛	5⅛	5⅛	

NASDAQ NATIONAL MARKET

3pm prices September 12

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wolohn	.28b	8	27	14⅛	13⅞	13⅞	
WlvExp			513	8⅛	7⅞	7⅞	
Wolv wt			194	4⅜	4¼	4¼	+ ⅛
Worthg	.60	15	280	21⅝	21¼	21⅝	
Wyman	.80		81	9¾	9½	9¾	
			- X-Y-Z -				
XL Dta		5	263	7½	7¼	7¼	- ⅜
XOMA			1168	19	18	18½	- ⅛
Xicor			66	1⅞	1⅝	1⅞	
YanEnS	1.52e	16	68	19¾	19¾	19¾	
YelowF	.82	47	852	23⅝	23⅛	23½	
YorkRs		13	748	10¼	10	10¼	- ⅛
ZionBc	1.44	7	4	25	25	25	

FINANCIAL TIMES

Thursday September 13 1990

AMERICA

Middle East statement outweighs positive factors

Wall Street

CONCERN ABOUT statements coming out of Iran about the Middle East crisis erased early share price gains yesterday morning, leaving the market modestly lower at midsession, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 5.69 lower at 2,606.93 on thin volume of 82m shares. On Tuesday, the Dow eased 2.97 to 2,612.62.

The market had opened with a relatively positive tone. It reacted favourably to President George Bush's address to the nation which was predictably tough on Iraqi leader Saddam Hussein.

There was also considerable optimism early on about agreement on a package to cut the US budget deficit. Republicans and Democrats appeared to be converging on a compromise designed to produce $500bn in deficit cuts over the next five years, including about $130bn in tax increases and as much as $326bn in spending cuts. The White House said yesterday morning that it was confident that a pact would be reached soon.

However, even if an agreement is reached, problems remain and financial markets are not likely to receive a sustained boost from this area. The General Accounting Office called for $1.05 trillion in deficit reduction by 1997. It said that the goal of reducing the deficit by $50bn in fiscal 1991 and by $500bn by 1995 were "considerably more modest than we believe necessary."

Also positive was a small decline in crude oil prices after the publication of the latest weekly report from the American Petroleum Institute which showed a relatively large build-up of US crude oil stocks. Another favourable influence was the healthy performance by the Japanese market.

However, US shares failed to hold early gains, partly because of nervousness about recent statements from Iran, which appears to have reopened diplomatic relations with Iraq. Iran said yesterday that it was vehemently opposed to the US military presence in the Gulf.

While all these factors played a part in the market's performance, none was decisive. The market is drifting in low volume with no real conviction in either direction. "Suffering more from neglect than any real buying or selling pressure, the stock market has fluctuated in one of the narrowest ranges in recent memory during the past two weeks," said Mr Newton Zinder, technical strategist at Shearson Lehman Brothers.

Among featured stocks was Advanced Micro Devices, which dipped $¼ to $5¾ after a federal court jury ruled that the company had infringed three patents. Texas Instruments gained $½ to $29¾ on reports that the company has asked Japanese semiconductor manufacturers to pay royalties of 10 per cent of production value based on a patent it holds.

Tenneco dropped $2¾ to $55¾ after the company said that its packaging subsidiary is discussing buying Mills and Timberland for about $740m from Georgia-Pacific.

Kansas Gas & Electric added $1¼ to $25¾ after it said that it was in talks about being acquired by another company.

MNC Financial added $½ to $8 after declaring its regular quarterly dividend. It had previously been falling on rumours that it would cut its dividend.

Canada

HIGHER oil prices and a lower Wall Street, due to uneasiness over the Gulf crisis, weakened equities in Toronto after an early rise on Tuesday's speech by US President George Bush.

The composite index fell 2.4 to 3,269.9 by midsession on volume of 10.8m shares. Inco rose C$¼ to C$21¾ after brokers Prescott, Ball and Turben upgraded the stock from a sell to a hold. Cineplex Odeon slipped 15 cents to C$3.50 after it said that summer receipts were not as strong as previously hoped.

EUROPE

Gulf comments from Iran change mood in bourses

BELLICOSE comments from Iran filtered through to bourses late yesterday. Middle East specialists said that there was more than one way of interpreting these remarks, but for dealers they turned a mood of mild recovery into nervous depression, *writes Our Markets Staff.*

FRANKFURT went sharply lower in post-bourse telephone trade, following Tehran radio comments from the Iranian leader, Ayatollah Ali Khamenei, who bitterly attacked the US military build-up in the Gulf and said that the fight against it counted as a holy war.

Earlier, the DAX index had closed 20.92 higher at 1,598.34 after a midsession gain of 7.72 to 681.88 in the FAZ. Deutsche Bank was up DM9.70 at DM678.20, Siemens DM12.50 at DM618.50 and Daimler DM17.50 at DM714.50.

After hours, however, Deutsche Bank dropped to about DM670 and Siemens to DM611, with Daimler shedding about D11.50 of its earlier gain. Mr Ulrich Muth, head of the international trading desk at B Metzler in Frankfurt, said that the news had hit a market where nerves had been strained by day after day of trading at minimal volume.

There were virtually no orders in the market, said Mr Muth. Yesterday's volume figure of DM4bn, up from DM2.9n on Tuesday, reflected traders' deals and scattered short covering. "I have seen nothing like this over the past 10 years," he added. "We could say that the market is oversold, but we have to make sure that the client's money is safe – and cash was the safe haven today."

PARIS ended lower following Iran's holy war remarks, after rising 2 per cent earlier in the day. The CAC 40 index shed 5.85 to 1,648.09, after retreating from its session high of 1,687.49, in thin trading.

Peugeot rose FFr3 to FFr537 in 268,275 shares, one of the biggest volumes of the day, after Salomon Brothers made a buy recommendation. The stock had fallen on Monday after a French broker downgraded its profits estimate for the company.

Other rising stocks included Elf Gabon, the oil producer, which gained FFr90 or 5 per cent to FFr1,905 on fears of higher oil prices.

Pechiney's investment certificates jumped FFr9.50 to FFr245.50 with 158,400 traded, buoyed by higher aluminium prices. James Capel, the brokers, argued that Pechiney, which has other interests such as packaging, should be viewed as more than an aluminium stock. "Since almost half of its operating profits in 1990 are expected to come from activities which traditionally enjoy higher multiples than those for aluminium, we feel that the share is heavily undervalued," it wrote yesterday.

Bouygues closed FFr10.50 lower at FFr488.50, after rising FFr24 earlier to a day's high of FFr523; the construction group had announced that its La Saur unit had won a 20-year contract worth FFr2bn a year to manage Ivory Coast's electrical distribution system.

ZURICH balanced the Iranian comments against earlier bargain-hunting, and came out with the Crédit Suisse index up 2.7 at 544.5. By midday, the volume of buy-orders had surged as investors entered the market, convinced that shares were oversold; late afternoon saw a burst of selling, and a move into reverse.

AMSTERDAM finished off its day's high after the remarks by Iran. The CBS tendency index ended 0.1 higher at 104.5, after reaching 105.6 earlier. Internatio-Müller rose Fl 4.20 to Fl 74 on further speculation in the transport sector.

MILAN ended the September trading account in moderately active style, with turnover estimated at something slightly higher than Tuesday's L165bn, and the Comit index 2.80 better at 612.15.

Traders said that the session had opened slightly weaker, but that it had turned round later with active buying of stocks in banks, insurance and telecommunications – sectors thought unlikely to be directly affected by rising oil prices.

Generali rose L340 to L38,100, and RAS L240 to L21,600. Banking gains were a little less pronounced, but the state-controlled food group, SME, rose nearly 2 per cent on its "anti-cyclical" characteristics.

Nordic bourses were mixed to lower, **STOCKHOLM's** Affärsvärlden General index losing 2.3 to 1,131.2. Just before the close almost 1.5m Electrolux free B shares, representing about 2 per cent of the share capital, changed hands at SKr180, unchanged from Tuesday. **OSLO** mixed higher oils and lower shipping, and the all-share index fell 2.24 to 606.28.

ISTANBUL's 50-share index gained 93.58 to 4,915.85 in sharply increased turnover of TL81.3bn, up from Tuesday's TL64bn.

MADRID declined in quiet trade, with the general index finishing 1.90 lower at 240.51.

SOUTH AFRICA

GOLD SHARES recouped some of their recent losses after a rise in bullion to about $383 an ounce, but platinums stayed depressed amid fears of a decline in industrial demand. The JSE all-gold index rose 25 to 1,586.

Oil crisis and bank tussle boost Venezuela

Jacqueline Moore explains the reactions of emerging markets to last month's events

AUGUST WAS a volatile month for the world's less developed stock markets, as well as for the leaders. The rise in oil prices which followed Iraq's invasion of Kuwait gave a very strong boost to Venezuela, a net exporter; but Taiwan, a big oil importer, was sent reeling.

The Gulf crisis has not significantly changed pecking order, however. Even before last month's moves, Venezuela had been been one of the year's top performers, knocked back to the number two position by Greece in April. August's 57 per cent rise in dollar terms helped it regain the top slot; it has jumped 268 per cent this year according to the International Finance Corporation. Taiwan, meanwhile, remained the worst performer, losing 30 per cent last month and 60 per cent this year in dollar terms.

The root of the Venezuelan rally over recent months has been hostile stake-building in Banco de Venezuela, says Mr Tony Ewell of Corporate Broking Services, which specialises in emerging markets. The tussle was concluded two weeks ago when Mr Orlando Castro of the Latino Americana de Seguros insurance company obtained a seat on the board of the bank, says Mr Ewell, by raising his holding to more than 20 per cent.

The share price of Banco de Venezuela, which currently accounts for almost a quarter of the total market capitalisation of about $2.5bn, has risen from about 280 bolivars ($5.70) at the end of last year to 1,100 bolivars this week, after peaking at 2,200 on August 15.

Such takeover activity has been part of the force driving the Venezuelan market this year, agrees Mr Terry Mahony of Baring America Asset Management, adding that some buying by foreign funds, together with the country's oil resources, have also lifted share prices.

The economy stands to benefit greatly from higher oil prices and increased production. Recently the Venezuelan Energy Minister ordered Petroleos de Venezuela, the state oil company, to increase output by 500,000 barrels a day to 2.49m by the end of the year.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Aug 31 1990	% Change over 5 weeks (Dollar terms)	% Change on Dec '89 (Dollar terms)	Aug 31 1990	% Change over 5 weeks (Local currency terms)	% Change on Dec '89 (Local currency terms)
Latin America							
Argentina	(24)	263.47	−19.2	−37.2	9,235,721	−3.2	+192.0
Brazil	(56)	72.13	−8.4	−41.8	1,532,133	−6.0	+257.7
Chile	(28)	669.23	−2.4	+8.1	1,577.93	+2.7	+12.2
Colombia	(20)	289.81	−7.9	+27.2	1,285.29	−4.1	+51.9
Mexico	(54)	691.55	−10.0	+18.6	10,311.30	−9.6	+27.4
Venezuela	(13)	277.04	+57.1	+267.9	1,739.61	+57.1	+298.4
East Asia							
Korea	(63)	296.76	−11.6	−35.9	256.76	−11.6	−32.3
Philippines	(29)	1,182.52	−19.2	−38.7	1,445.24	−14.8	−32.0
Taiwan, China	(64)	526.77	−30.1	−60.1	358.80	−29.8	−58.8
South Asia							
India	(60)	305.22	+21.7	+49.4	424.09	+20.5	+53.4
Malaysia	(62)	142.91	−12.9	−6.0	158.31	−13.5	−6.4
Thailand	(34)	389.70	−21.2	−2.6	365.33	−21.8	−3.2
Europe/Middle East							
Greece	(26)	752.28	−8.8	+167.1	914.59	−9.9	+167.0
Jordan	(25)	87.03	−12.6	−6.0	151.67	−12.9	−3.1
Portugal†	(27)	572.48	−4.1	−16.0	503.15	−8.2	−23.3
Turkey‡	(18)	385.32	−2.7	+58.8	1,354.12	−2.0	+84.4

Source: International Finance Corporation. Base date; Dec 31,1984. †Jan 1985=100. ‡Dec 1986=100.

Elsewhere in Latin America the picture was not so bright, with inflation worries hitting Argentina in spite of its self-sufficiency in oil.

The only market other than Venezuela to end August higher was India, which has been shrugging off all attempts by the stock exchange authorities to cool it down. The current bull phase began in mid-June, and the market has now risen more than 49 per cent this year in dollar terms.

ASIA PACIFIC

Recovery in bonds spills over into equities

Tokyo

A RECOVERY in bond prices gave a strong boost to the equity market yesterday and, after a poor start, share prices bounced up in slightly more active trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed 611.48 ahead at 25,216.14, against a day's high of 25,288.06 and a low of 24,463.60. Winners outnumbered losers by 762 to 217, with 144 issues unchanged, and turnover rose from Tuesday's 400m shares but remained moderate at 530m. The Topix index of all listed stocks advanced 33.02 to 1,913.72 but, in London, the ISE/Nikkei 50 index slipped 8.65 to 1,442.66.

Equities were at the mercy of bond prices, falling first on weak bond futures. Fears of a further rise in interest rates were aroused again after the Bank of Japan's report on the short-term business outlook, released on Tuesday, indicated that the economy was still expanding at a strong rate.

In later trading, however, a recovery in bonds was triggered by the view that interest rates were likely to level off for the time being. Investment trusts came in with index-linked buying, which countered selling by arbitrageurs unwinding positions before the September futures contract expiry today.

Although the yen firmed substantially against the dollar, hitting a 13-month high during the day, this had little affect on equities. Although a strong yen is good news for Tokyo, its present strength is mostly a result of the dollar's weakness; eventually, it is likely to arouse concern about the downturn of the US economy, said an analyst at Sanyo Securities.

Trading was dominated by speculative activity. Toyobo, the textiles company which had been targeted by a well-known speculative group, rose Y46 to Y685. The Tokyo Stock Exchange had to put a temporary halt to trading in the issue twice yesterday, due to the accumulation of orders. Toyobo was also attractive as a laggard, an analyst said.

Minebea, the leading miniature bearing maker, and known for its aggressive takeover style, topped the actives list with 15.3m shares traded, but shed Y10 to Y1,070. There was speculation that share stakes were changing hands as a result of the death of Minebea's former chairman, and a major Japanese securities company was reported to have conducted hefty cross trades of Minebea shares.

There were also rumours that the banks that own substantial Minebea holdings were behind the gains. Several leading banks had been asked by Minebea to become stable shareholders when it was faced with the prospect of being taken over. Now that those banks have huge unrealised losses, they are rumoured to be putting pressure on Minebea to get its share price back up.

Japan Synthetic Rubber advanced Y35 to Y885 as investors responded to news that it has marketed a new high quality tyre in the US, and is developing a paper battery.

In Osaka, interest in laggards triggered buying which took the OSE average 206.44 higher to 29,107.99. Volume climbed to 108m shares from the 74m traded on Tuesday.

Roundup

DOMESTIC considerations, some of them related to world events, affected individual markets in the Pacific Basin.

MANILA fell 3.6 per cent to a 33-month low on unconfirmed reports that retail prices of petroleum and its by-products will be increased within the week. The composite index lost 25.12 to 674.13 on light selling.

The Government of President Corazon Aquino has tried to avoid raising gasoline and other petroleum product prices, with threats of another coup attempt and the effects of the devastating earthquake on July 16 to consider. But local oil companies are agitating for an immediate increase in retail prices to cope with higher prices in world markets.

TAIWAN swung back upwards again, the weighted index moving ahead 73.13, or 2.2 per cent, to 3,434.72 after the state-owned Bank of Taiwan cut its prime rate from 10.25 to 10 per cent. The banking sector put on 3 per cent.

Investors expected more banks to follow suit and believed that this would spur the slowing local economy, but turnover remained thin, totalling T$20.75bn (T$22bn).

SEOUL's slight decline was blamed on torrential rains, which limited investor participation. The composite index eased 2.61 to 610.88. Property damages are expected to soar, and analysts predict consumer prices will surge, due to agricultural losses and reduced industrial activities during and after the rains.

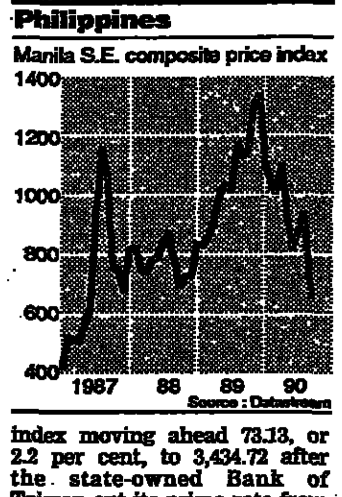
BOMBAY fell following the previous day's record high after a broker was declared a defaulter by the BSE. The index lost 35.57 to 1,286.25.

AUSTRALIA followed Japan, the All Ordinaries index rising 13.4 to 1,512.5 in volume up from A$109m to A$164m. **NEW ZEALAND** firmed on selective buying of blue chips but business stayed thin. The Barclays index rose 15.86 to 1,581.21.

HONG KONG's Hang Seng index added 21.47 at 3,105.04 in light trading, but **BANGKOK's** SET index fell 23.70 to 804.46 on fears of the long-term effects of the Gulf crisis.

Philippines

Manila S.E. composite price index



Source : Datastream

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 11 1990: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 10 1990: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1990 High	1990 Low	Year ago (approx)
Australia (80)	144.22	+0.4	115.58	127.45	119.26	117.60	+0.1	6.40	143.67	114.70	126.37	118.13	117.53	158.31	125.85	152.57
Austria (19)	219.99	−2.0	176.30	194.41	181.91	181.69	−1.4	1.50	224.52	179.25	197.49	184.60	184.31	285.63	193.15	149.69
Belgium (61)	138.66	−1.2	111.12	122.52	114.65	111.81	−0.4	5.18	140.29	112.01	123.39	115.35	112.27	160.02	132.11	133.51
Canada (119)	129.88	+0.1	104.08	114.77	107.39	109.37	−0.5	3.71	129.73	103.57	114.10	106.66	109.96	153.61	129.73	148.36
Denmark (33)	253.41	−0.7	203.09	223.96	209.55	209.64	+0.2	1.41	255.22	203.76	224.49	209.84	209.31	277.62	236.69	193.28
Finland (26)	116.78	−1.1	93.59	103.20	96.57	91.75	−0.2	2.99	118.04	94.24	103.83	97.06	91.97	152.29	116.78	129.91
France (122)	137.08	−1.0	109.86	121.13	113.34	114.56	−0.4	3.58	138.46	110.55	121.78	113.84	115.01	168.85	133.16	130.55
West Germany (92)	118.41	−2.1	94.89	104.65	97.91	97.91	−1.6	2.31	120.96	96.57	106.41	99.46	99.46	144.63	117.75	96.96
Hong Kong (48)	126.08	−0.2	101.04	111.41	104.26	125.78	−0.2	5.17	126.35	100.87	111.13	103.89	125.99	147.49	112.24	110.06
Ireland (17)	143.42	−1.7	114.94	126.74	118.60	119.69	−1.2	3.63	145.90	116.48	128.33	119.96	121.14	198.57	143.42	150.42
Italy (95)	88.05	−0.3	70.57	77.81	72.81	77.99	+0.2	3.03	88.34	70.53	77.70	72.63	77.82	109.26	87.35	92.13
Japan (454)	128.47	−1.8	102.95	113.53	106.24	113.53	−1.4	0.74	130.85	104.47	115.09	107.60	115.09	197.26	118.66	176.14
Malaysia (35)	218.28	−0.6	174.93	192.89	180.49	226.48	−0.4	2.61	219.61	175.33	193.16	180.56	227.35	250.89	195.23	199.49
Mexico (13)	520.06	+0.9	416.78	459.58	430.04	1644.98	+0.8	0.32	515.65	411.68	453.56	423.97	1631.58	561.41	324.53	318.70
Netherland (42)	138.22	−0.9	110.77	122.14	114.30	113.02	−0.4	5.04	139.53	111.40	122.73	114.73	113.46	149.03	130.43	126.47
New Zealand (17)	60.61	−1.5	48.58	53.57	50.12	52.10	−1.3	6.86	61.55	49.14	54.14	50.61	52.81	75.36	59.57	86.59
Norway (23)	266.72	+0.6	213.75	235.70	220.56	222.28	+1.4	1.43	265.06	211.62	233.15	217.94	219.28	276.79	202.34	181.30
Singapore (25)	169.70	+0.2	136.00	149.96	140.32	138.26	+0.2	3.02	169.33	135.19	148.95	139.23	138.00	209.24	156.96	168.02
South Africa (60)	170.50	−2.3	136.64	150.67	140.98	147.60	−1.3	3.92	174.45	139.28	153.44	143.43	149.54	251.39	170.00	154.98
Spain (42)	146.03	−2.4	117.03	129.05	120.75	110.41	−1.6	4.98	149.64	119.47	131.62	123.03	112.46	182.25	132.84	159.69
Sweden (34)	194.12	−0.7	155.57	171.55	160.52	167.33	−0.2	2.40	195.58	156.14	172.03	160.81	167.64	234.93	173.89	178.22
Switzerland (65)	93.19	+0.1	74.68	82.36	77.07	78.78	+0.9	2.76	93.10	74.33	81.89	76.56	78.10	109.77	88.75	88.47
United Kingdom (301)	158.46	−0.5	126.99	140.01	131.02	126.99	−0.1	5.42	159.24	127.13	140.05	130.91	127.13	176.18	139.87	152.31
USA (535)	129.53	−0.1	103.81	114.47	107.11	129.53	−0.1	3.80	129.70	103.55	114.09	106.64	129.70	148.95	123.62	141.91
Europe (972)	136.75	−0.9	109.59	120.85	113.08	111.34	−0.4	4.15	138.02	110.19	121.40	113.49	111.80	157.65	135.57	128.14
Nordic (116)	196.94	−0.6	157.83	174.04	162.85	159.59	+0.2	1.90	198.04	158.11	174.20	162.84	159.34	223.29	185.01	164.47
Pacific Basin (659)	128.84	−1.7	103.25	113.86	106.54	113.89	−1.3	1.14	131.03	104.61	115.25	107.74	115.34	192.75	119.53	172.87
Euro–Pacific (1631)	132.41	−1.4	106.11	117.00	109.48	113.58	−0.9	2.41	134.23	107.16	118.06	110.36	114.61	174.18	127.11	155.11
North America (654)	129.46	−0.1	103.75	114.42	107.07	128.22	−0.2	3.80	129.61	103.48	114.02	106.59	128.42	148.43	124.33	142.19
Europe Ex. UK (671)	122.73	−1.2	98.36	108.48	101.51	101.83	−0.6	3.27	124.24	99.19	109.30	102.18	102.45	145.62	121.42	112.77
Pacific Ex. Japan (205)	132.45	+0.1	106.14	117.06	109.53	114.86	−0.1	5.63	132.38	105.69	116.46	108.86	114.96	146.72	122.53	183.41
World Ex. US (1823)	132.92	−1.3	106.52	117.47	109.92	114.18	−0.9	2.46	134.69	107.53	118.48	110.75	115.20	173.77	128.14	154.98
World Ex. UK (2057)	128.00	−1.0	102.58	113.12	105.85	118.21	−0.7	2.62	129.24	103.18	113.69	106.28	119.03	162.00	121.96	148.97
World Ex. So. Af. (2298)	130.46	−0.9	104.55	115.30	107.89	118.87	−0.6	2.91	131.65	105.10	115.81	108.25	119.62	161.84	125.26	149.22
World Ex. Japan (1904)	133.16	−0.5	106.71	117.68	110.13	122.05	−0.3	4.01	133.76	106.79	117.67	110.00	122.97	151.58	130.40	136.86
The World Index (2356)	130.70	−0.9	104.74	115.50	108.08	119.06	−0.6	2.82	131.90	105.31	116.03	108.46	119.82	162.05	125.57	149.25

Constituent change 12/9/90: Deletion: Genentech (US).Latest prices were unavailable for this edition.